Wholesalers regain their place in distribution pipeline

(Continued from page 1)

Nine of the companies surveyed reported sales gains of 17 percent to as high as 36 percent; just seven distributors reported flat sales.

Even the depressed Texas market appears to be coming out of its tailspin, according to Stanley Jones, president of Buhrman-Pharr, a hardlines wholesaler in Texarkana, Ark., which distributes to that state. But at least two large firms who ventured into the South and Southwest in the last two years—the Wyeth Company, St. Joseph, Mo., and Atlanta's General Hardware—closed operations there last year and reported lower 1987 sales.

Growth appeared to have come from specialization rather than an upswing in new customers. Farwell, Ozmun, Kirk in South St. Paul, Minn., brought on a building materials program last year, following the lead of Maine's Emery-Waterhouse, and boosted sales more than 12 percent. In Tampa, Fla., Spicola Hardware sees growth coming from an ancillary business: light manufacturing and importing lawn and garden items. That area accounts for 30 percent of Spicola's business today.

> **“Even the major warehouse home centers are recognizing products that fit a distribution pattern and that won't make them overinventoried by buying direct.”**
>
> —**Tom Fernley,**
> *executive director, National Wholesale Hardware Association*

Technology investments helped to boost sales, or at least control expenses, for several distributors.

California Hardware in City of Industry, Calif., cut 40 employees last year compared to 1986 as a result of its automation.

At Decatur-Hopkins, a Taunton, Mass., independent wholesaler, a laser reporting system helps allocate warehouse employees efficiently and helps boost fill rates to more than 96 percent. A believer in technology, Decatur-Hopkins just plowed $670,000 into a new generation of computer, increasing storage there four to five times, according to Paul Carey, director of purchasing.

There were no reported bankruptcies in 1987, according to industry executives, although it was a year of rebuilding for at least two oldline firms, the venerable George Worthington Co. in Ohio and S&T Hardware near Louisville, Ky. Worthington's fall dealer market was heavily attended even while the company was still in Chapter 11 protection from creditors.

“In general, the fallout in the industry stopped,” observed Terry Smith, president of California Hardware. But a new round of acquisitions began.

In May last year, Emery-Waterhouse in Portland, Maine, acquired the stock of Virginia-based Fries, Beall & Sharp. Emery-Waterhouse not only picked up new business, including sales to Hechinger and mass merchandisers, but extended its reach down the Eastern Seaboard to Virginia. And the publicly held Moore-Handley, Pelham, Ala., acquired certain assets of Pleasants Hardware in Winston-Salem, N.C.

That kind of acquisition, to extend a wholesaler's reach, will proliferate in the next four years. According to the late-1987 study of the wholesale distribution industry, 25 percent of today's distributors won't be in existence in 1995; many of them will be swallowed by mergers and the rest will fade away.

The updated study, *Facing the Forces of Change 1987*, by the National Association of Wholesaler-Distributors (Distribution Research and Education Foundation) in Washington, and the worldwide accountancy Arthur Anderson & Co., predicts contraction as:

- Large wholesalers increase market share by 30 percent through 1995 at the expense of small- and medium-sized firms;
- Financing becomes increasingly harder to get. Where bank financing used to account for 70 percent, it will drop to 50 percent in 1995 and lines of credit will disappear. And as existing companies spend more to increase use of technology, internally generated capital won't suffice; and
- New management becomes harder to find. Today, 8 in 10 wholesale distributors are privately owned and “60- to 65-year-old owners who started the company are looking for management,” said one of the study's authors. The study predicts that by 1995, 39 percent of ceos will be from outside the family, up from the current 32 percent.

The study of distribution in SIC codes for durables and nondurables was aimed primarily at the hundreds of smaller, specialty companies, observed Tom Fernley, executive director the National Wholesale Hardware Association (NWHA). While believing the hardware distributor has already gone through the period of consolidation, Fernley nonetheless agreed with the findings.

“Even the major warehouse home centers are recognizing products that fit a distribution pattern and that won't make them overinventoried by buying direct,” said Fernley at the NWHA in Philadelphia.

Top Full-line Hardware Wholesalers

Company	$Mil. Sales '87	$Mil. Sales '86	Retail Customers '87	Retail Customers '86	% Sales DIY '87	% Sales DIY '86	Number of Warehouses (SKU's offered)	Number of Trucks
General Hardware Atlanta	142	146	2,500	2,500	95	95	4 *36,000*	82
Emery Waterhouse Portland, Maine	133	113	1,200	1,080	100	100	3 *28,000*	21
Farwell, Ozmun, Kirk South St. Paul, Minn.	117	102	1,700	1,600	80	80	3 *35,000*	0
California Hardware City of Industry, Calif.	116	100	850	900	100	100	1 *39,000*	34
Orgill Bros. & Co. Memphis, Tenn.	100*	90	10,000	10,000	100	100	7 *45,000*	72
Moore-Handley Pelham, Ala.	98	82	3,400	3,400	100	100	2 *32,000*	65
L. G. Cook Co. Grand Rapids, Mich.	75	72	1,200	1,200	100	100	1 *20,000*	20
Masback Hardware North Bergen, N.J.	70	60*	1,500	1,500	100	100	2 *28,000*	21
Decatur-Hopkins Taunton, Mass.	65	52	1,500	NA	50	NA	1 *25,000*	14
Jensen-Byrd Co. Spokane, Wash.	65*	65*	3,000	3,000	100	100	1 *38,000*	9
Frederick Trading Co. Frederick, Md.	63	52	800	600	NA	NA	1 *36,000*	40
Witte Hardware St. Louis, Mo.	60	52	1,218	1,157	60	60	1 *30,000*	42
RKB Enterprises Elmira, N.Y.	60	55	1,200	1,200	NA	NA	1 *30,000*	14
Nuway Distributors Baltimore, Md.	57	55	6,400	6,200	NA	NA	14 *20,000*	220
Ralar Distributors Plainview, N.Y.	52*	50*	700	700	90	90	1 *7,500*	0
Panic Distributors Columbus, Ohio	50	40	50	50	5	5	2 *8,000*	8
Bostwick-Braun Co. Toledo, Ohio	47	47	1,100	1,200	NA	NA	1 *32,000*	15
George Worthington Co. Mentor, Ohio	42	53	900	900	100	100	1 *32,000*	12
Blish-Mize Atchison, Kan.	37	33	1,200	1,200	80	80	2 *35,000*	25
Barnstable County Supply Boston	35	35	300	200	NA	NA	2 *6,000*	12
Wallace Hardware Morristown, Tenn.	34	33	2,000	2,000	85	NA	1 *25,000*	40
Wyeth Co. St. Joseph, Mo.	30	45	2,000	NA	NA	NA	1 *29,000*	30
New Holland Supply New Holland, Pa.	28	26	4,500	4,500	5	5	1 *12,000*	12
Honsador, Inc. Ewa Beach, Hawaii	28	26	8	8	NA	NA	3 *3,500*	12
Spicola Hardware Tampa, Fla.	27	27	2,000	2,000	41	41	3 *25,000*	15
Hardline Marketing Co. Milwaukee	27*	25	100	100	50	50	1 *19,000*	4
S&T Wholesale Hardware Jeffersonville, Ind.	25*	25*	1,000	850	90	90	1 *NA*	NA
Sunshine Industries Cleveland	24	12	1,500	900	15	5	1 *14,000*	4
Heusinger Hardware San Antonio, Texas	22	20	1,500	1,300	80	80	1 *17,000*	18
Building Products Watertown, S.D.	21	13	NA	NA	NA	NA	NA *NA*	NA
Morse Hardware Bellingham, Wash.	20	18.8	400	400	50	50	1 *28,000*	8
Leight Sales Carson, Calif.	20	20	300	300	100	100	1 *12,000*	6
Buttery Hardware Plano, Texas	18	21	700	700	85	85	1 *21,000*	10
Brown-Roger-Dixon Winston-Salem, N.C.	15	15	2,000	2,000	30	30	4 *12,000*	16
Summers Hardware Johnson City, Tenn.	15	15	1,500	1,500	35	35	1 *28,000*	14
Butterman-Pharr Texarkana, Ark.	14	14.5	2,200	2,200	85	85	1 *12,000*	16
Blackstone Supply Providence, R.I.	10.4	10	375	375	80	75	1 *15,000*	5
Wagner Hardware Mansfield, Ohio	8	7.5	800	800	80	80	1 *19,000*	6
Biscayne Electric and Hardware Miami	8	7.5	600	600	95	95	1 *20,000*	5
Ogilvie Hardware Shreveport, La.	6	5.7	900	750	75	75	1 *12,000*	6
Totals & Averages	1,884	1,755	65,101	59,870	72	77	22,500	953

*NHCN estimate

Top Hardlines Co-ops

Rank		COMPANY	SALES Total sales ($ mil.)		% chg.	Lumber & Building mat'ls as % of sales		STORES Dealer stores		No. of home centers		HC sales as % of total		No. of warehouses (tot. sq. ft.) 1987	INVENTORY ANALYSIS Min./max. inventory ($ mil.)		Stock keeping units		Sales to inventory ratio		% of sales from drop shipment		CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship		EMPLOYEES No. of employees 1987
'87	'86		'87	'86		'87	'86	'87	'86	'87	'86	'87	'86		'87	'86	'87	'86	'87	'86	'87	'86	'87	'86	
1	1	**Cotter & Co.,** Chicago	**1,854.0**	1,734.0	6.5	**6.0**	6.0	**7,200**	7,100	**1,600**	1,600	**30.0**	30	15 (6.5 mil.)	**236**	236	**32,000**	32,000	**6.0**	6.0	**41.0**	41	**5-15** **6** **2**	5-15 6 2	**3,700**
2	2	**Ace Hardware,** Oak Brook, Ill.	**1,198.0**	1,061.0	11.4	**NA**	4.5	**5,000**	4,800	**1,600**	1,600	**41.0**	41	14 (5 mil.)	**136-181**	120-165	**3,900**	3,900	**5.2**	5.3	**31.0**	32	**10** **6** **2**	10 6 2	**2,477**
3	3	**American Hardware Supply,** Butler, Pa.	**1,040.0**	842.0	19.0	**42.2**	36.0	**3,725**	3,700	**1,502**	1,463	**59.5**	47	6 (2.02 mil.)	**75-100**	60-73	**37,000**	34,000	**5.0**	5.0	**21.1**	27	**5-15** **6-10** **0-3**	5-15 6-10 0-3	**1,279**
4	5	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	**885.0**	783.0	11.5	**35.0**	30.0	**2,750**	2,700	**1,650**	1,650	**50.0**	50	5 (1.9 mil.)	**61-74**	48-63	**35,700**	35,000	**13.0**	13.0	50.0	50	**no adder up depending on cost of handling**		**736**
5	7	**CoastAmerica** Denver	**354.3**	336.0	5.2	**NA**	NA	**980**	950	**NA**	NA	**NA**	NA	3 (1.1 mil.)	**NA**	50	**35,000**	28,000	**NA**	NA	**10**	10	**NA**	NA	**1,112**
6	13	**Our Own Hardware** Burnsville, Minn.	**131.0**	121.0	7.6	**17.0**	12.0	**1,200**	1,200	**475**	475	**40.0**	33	2 (800,000)	**15-21**	15-21	**35,000**	33,000	**5.0**	5.0	**33.0**	28	**7-11** **6** **2**	7-11 6 2	**350**
7	14	**United Hardware Distributors** Minneapolis, Minn.	**91.5**	91.0	0.5	**5.0**	NA	**550**	501	**30**	30	**5.0**	5	1 (420,000)	**10-15**	10-15	**37,000**	33,000	**5.9**	6.2	**13.3**	13	**2-11** **2-5** **1**	2-11 6 1	**272**
8	16	**Handy Hardware Wholesalers,** Houston	**47.0**	44.0	6.4	**4.0**	4.0	**620**	592	**NA**	135	**NA**	25	1 (200,000)	**NA**	6.5-7.5	**20,000**	20,000	**5.4**	6.0	**23.0**	22	**9** **5** **1**	9 5 1	**131**
9	17	**Connecticut Hardware** Cromwell, Conn.	**11.5**	10.0	13.0	**0**	0	**62**	59	**5**	5	**5.0**	5	1 (35,000)	**1.9**	1.5	**25,000**	32,000	**5.5**	6.2	**23.0**	**29**	**NA**	NA	**15**

NHCN estimates

Source: *NHCN* research 1986 rankings included building materials co-ops.

While their dealer count rose marginally, the industry's leading hardlines co-ops increased their sales an aggregate 11.7 percent to $5.6 billion, thanks in large measure to their aggressively pursuing the distribution of building products.

Co-ops post dollar gains, experiment with LBM sales

By Suzanne Floyd

NATIONAL REPORT — Sales by the nine leading hardware wholesale co-ops collectively grew 11.7 percent over 1986 totals, to more than $5.6 billion.

Affiliated dealer store counts also rose to 22,087 in 1987 from 21,602 in 1986.

The trend toward increased sales of building materials continued in 1987, and was perhaps best marked by the recently agreed-to joint venture between CoastAmerica Corp. in Denver and Builder Marts of America (BMA), Greenville, S.C.

After merger plans between Coast and BMA collapsed, discussions took place regarding the development of the joint venture.

Under the terms of the program, CoastAmerica, which sells hardlines to franchised Coast to Coast dealers, will provide hardlines for Builder Marts dealers. BMA, an employee-owned, dealer-services group that serves as a building materials broker, will buy commodities for Coast stores.

Cotter & Co., the nation's largest co-op, manifested its dedication to lumber and building materials sales by holding its first buying show specifically for these products last January in Florida.

Cotter, which got 6 percent of its $1.85 billion in sales last year from the distribution of commodities, joins Ace Hardware in its attempt to broaden its market reach to retail building materials independent dealers.

The success of Hardware Wholesalers Inc. (HWI) and ServiStar in developing this end of their businesses has, in part, prompted the moves by Ace and Cotter.

Indeed, ServiStar—the name American Hardware Supply will officially use starting in July—increased the number of items it offers out of warehouse to 37,000 from 34,000 in 1986, many in the nonhardlines area, according to company officials.

This is not to say, though, that the hardware co-ops were ignoring the hardware side of the market. For many, stockkeeping units rose appreciably: Our Own Hardware's offering jumped 2,000 skus to 35,000. And United Hardware Distributors increased the number of products it can deliver to dealers by 4,000 items, to 37,000.

United, the Minneapolis-based co-op, was also in the news when it became a member of Pro Hardware, the Stamford, Conn.-based wholesaler marketing organization. This is the first time a co-op had hooked up with one of the seven leading marketing groups. As such, it represents a break in tradition that has long separated the two channels of buying conducted by co-ops and independent wholesalers.

This signing is expected to allow both companies to buy merchandise more competitively. And the combination also points to the growing importance of these marketing groups for both manufacturers and dealers.

Liberty Distributors, the Des Plaines, Ill., group, was able to lasso Payless Cashways' business and its wholesaler-members have begun selling certain items to 180 of Payless' stores.

(Continued on page 18)

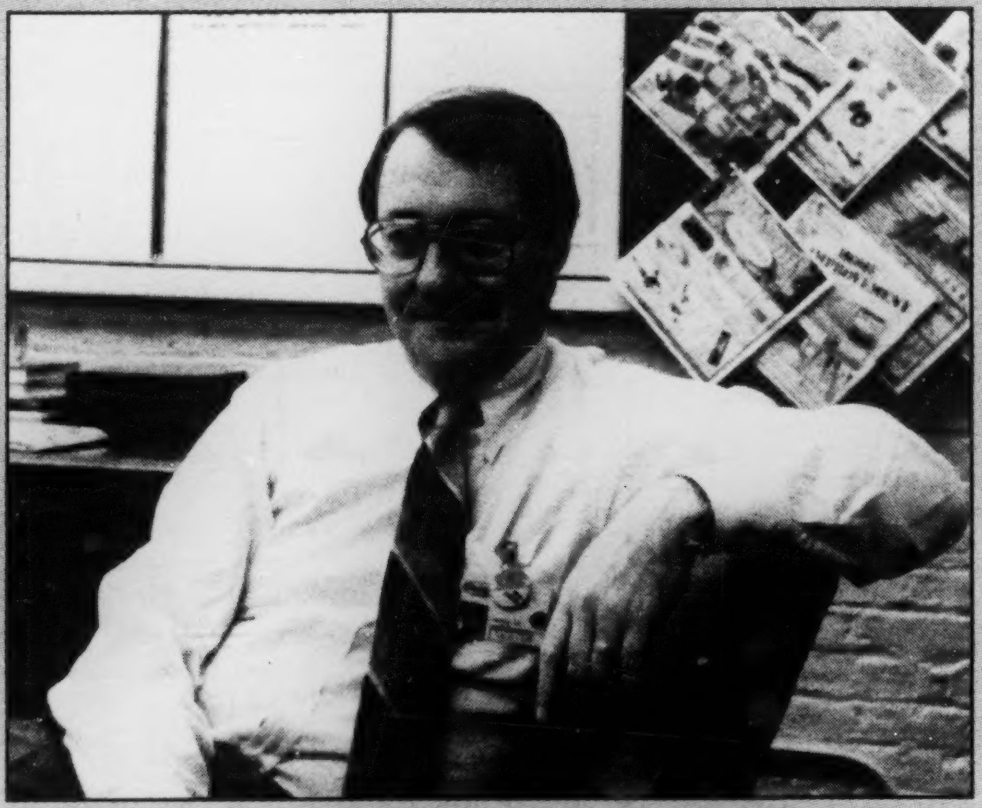
Wholesaler Marketing Organizations

Rank	Company	Sales (mil. $)		% chg.	No. of wholesalers		Affil. dealers/ total customers 1987 1986	% of home centers		Wholesaler warehouses		Aggregate Inv. (mil. $)		Sku's 1987 1986	No. of employees		Advertising: corporate wholesaler 1987 1986
		'87	'86		'87	'86		'87	'86	'87	'86	'87	'86		'87	'86	
1	**Liberty Distributors,** Des Plaines, Ill.	**930**	860	7.5	**23**	24	**2,850/27,000** 2,905/32,000	**25**	**35**	**50**	50	**142**	135	**32,000** 30,000	**47**	43	**$4.0 mil./** **$1.2 mil.** $3.8 mil./ $1.0 mil./
2	**Associated Building Materials,** Scottsdale, Ariz.	**819**	800	2.3	**51**	50	**NA/NA** NA/NA	**85**	85	**83**	88	**175**	170	**NA** NA	**3**	3	**NA** NA
3	**Sentry Hardware,** Des Plaines, Ill.	**650**	550	15.4	**15**	14	**5,700/5,700** 5,700/5,700	**20**	20	**22**	22	**150**	135	**26,000** 26,000	**17**	16	**$7 mil./NA** $7.0 mil./NA
4	**Pro Hardware,** Stamford, Conn.	**615**	615	0.0	**15**	14	**5,000/14,000** 5,100/16,700	**NA**	NA	**22**	22	**105**	105	**24,000** 24,000	**17**	17	**$1.2 mil./** **$3.0 mil.** $1.0 mil./ $3.0 mil./
5	**Reliable Hardware Wholesalers,** Wheeling, Ill.	**457**	55	87.9	**35**	7	**0/16,525** 0/3,340	**32**	29	**36**	7	**83**	13	**19,500** 3,340	**6**	4	**NA/NA** NA/NA
6	**ValTest Distributors,** Chicago	**425**	425	0.0	**37**	34	**1,000/6,000** 1,000/6,000	**15**	10	**43**	42	**41**	41	**13,500** 13,500	**9**	10	**$75,000/** **$200,000** $87,000/ $600,000/
7	**Allied Services,** Chicago	**325**	295	9.2	**30**	30	**NA/18,500** 800/18,300	**20**	12	**31**	31	**70**	68	**22,000** 23,500	**5**	5	**$265,000/** **$240,000** $240,000 $220,000
8	**Associated Hardware Buyers,** Gainesville, Ga.	**130**	130	0.0	**21**	22	**NA/NA** NA/NA	**NA**	**NA**	**25**	22	**NA**	NA	**NA** NA	**4**	4	**0/NA** 5,000/NA

The stature of wholesalers affiliated with the leading marketing groups rose appreciably in 1987, particularly when Payless Cashways signed with Liberty Distributors to have Liberty's wholesalers ship 180 of its stores.

TOTAL HARDWARE
Coast to Coast

CoastAmerica, the franchisor of Coast to Coast hardware stores, plans to increase sales volume by better using "under-utilized assets" such as its distribution centers and trucking fleet. Another part of that strategy is its deal with Builders Marts of America, in which it will be BMA's exclusive wholesale supplier of retail merchandise. NHCN photo



Dan Cotter, president of Cotter & Co., oversaw a year of strong growth for the nation's largest full-line hardware wholesaler. Cotter posted a 6.5 percent gain in total sales, and a whopping 25.4 percent gain in net income. NHCN photo

400 AISLE
300 AISLE
200 AISLE
THE LIGHT PLACE
ACE Hardware

Ace Hardware, whose 1987 convention was held in Reno, Nev., posted sales of more than $1 billion last year. Ace spruced up its image by changing its logo for the first time in 60 years. It also signed TV football commentator John Madden as its corporate advertising spokesman, a shift away from its previous homey neighborhood hardware store image to a higher profile image. NHCN photo

Co-ops have increasing success with LBM sales

(Continued from page 17)

Sentry Hardware, also in Des Plaines, caused a stir when it announced its "commonalty"[*sic*] program whereby certain suppliers would be allowed exclusively to participate in its marketing programs.

Changing images

Ace Hardware, the Oak Brook, Ill., co-op, was also party to change—if not turmoil—last year. For the first time in 60 years the second largest co-op changed its logo, and to support the new corporate identity, it set aside $1 million to finance dealer acquisition of the redesigned signage.

In another facelift, Ace signed John Madden, the CBS football commentator, to a 2½-year contract as its corporate advertising spokesperson. This signaled a shift by Ace away from the homey neighborhood hardware store appeal its television commercials had projected in favor of a higher profile image.

While Ace was sprucing up its image on the tube, it found itself shoring up its executive ranks last August when it fired its vp-merchandising and advertising Frank A. Szymanek, and Brent L. Brown, marketing and merchandise manager supervising the Ace import program.

The reason for the firings was explained as "various serious violations of corporate policy." The firings occurred in the wake of the resignation of Steve Hoag, Ace merchandise manager supervising the company's new lumber and building materials distribution program. (Hoag eventually wound up with Handy Andy Home Improvement Centers.)

In a subsequent interview with *NHCN*, Szymanek, speaking from his home in Olympia Fields, Ill., said that he was "kind of burned out" from the job and would be looking for something that "required less brainwork."

Szymanek, who had been in the seminary before going into business, said he was also investigating going into the ministry. About his firing, Szymanek bore no ill will towards Ace, calling it "a damn good company."

He was eventually replaced by Ace's former vp-finance Dave Hodnik, as part of a realignment by Ace of its corporate responsibilities.

Changing management

ServiStar, whose sales have been growing at the fastest rate among all the co-ops, also did some corporate shifting by adding a new layer of upper management. Eight operating officers were appointed from within the organization.

Other executive musical chairs included the resignation of CoastAmerica's president and chief operating officer Ralph Dillon. Richard H. Bard, Coast's 39-year-old chairman and ceo, assumed Dillon's titles.

Dillon, 46, said his decision to leave last August was mutually agreed upon after Bard and he discussed several alternatives.

Dillon, last November, was named president and ceo of Family Dollar Stores, a discount store based in Matthews, N.C.

New sales strategy

Meanwhile, CoastAmerica plans to increase sales volume outside its traditional base of hardware stores by using "under-utilized assets" such as its distribution centers and trucking fleet, according to Bard.

This diversification included the BMA deal, in which CoastAmerica would install "turnkey" front-end hardware departments in an undetermined amount of BMA lumber yards. Coast, then, would become BMA's exclusive wholesale supplier of retail products.

Last November CoastAmerica also acquired the assets of Bill Watson Hardware, a nine-store chain based in Tampa, Fla. Sales of the units were in excess of $4 million.

Census Methodology

The data on this census issue were culled from information provided directly from the companies listed. Any estimates made by *NHCN* were based on existing market data, information provided from competitors and vendors, and from our reporters' knowledge of the market.

In the following pages, *NHCN* introduces a new section for the census issue: an evaluation by vendors on what trends they expect to emerge from their respective product categories. The leading suppliers in each category were contacted to get their assessment of the market and what can be expected through the rest of 1988.

In addition, several of the stories are accompanied by market charts, assembled from information provided by vendors, listing the size of the retail sales market in that category, how much larger it is expected to become by year's end, and what a typical retailer's turnover and gross margins are in the category.

NHCN, in putting together these charts, generally relied on conservative estimates.

Two-step distribution back in vogue with hardware retailers

The market for hinges, knobs and cabinets is estimated at $100 to $125 million at home centers. NHCN photo

The multi-billion dollar hardware market is expected to post small increases in sales in 1988. That's due in part to strong 1987 sales, a widening of competitor's offerings and a stabilization in the avenues of distribution.

The overall hardware category is a tough one to get a handle on. At its core are builders hardware, door locks, fasteners and wire goods, including nails in some counts. The so-called surface trim market (including hinges, pull, knobs and catches) represents about $100 to $125 million in volume at the home center retailer.

While retailers looked at direct sales during the turbulent 1985-87 period in the distribution and warehouse chain sectors, two-step distribution is back in vogue. With a few large bankruptcies and few mergers and acquisitions of distributors last year, distribution patterns seem set.

Now program distributors like Illinois' Liberty Distributors are gaining importance.

"We've seen the program distributors really compete with the co-ops," said Scott Bannell, vp of marketing for Stanley Tools.

Bannell said where the co-ops had "phenomenal growth 10 years ago," their recent growth is being eroded by the buying groups who boast growing members and, like Sentry Hardware, Des Plaines, Ill., growing vendor clout. Sentry's "commonlty" program brings a like vendor assortment to its national distributor members.

The jury is still out on whether the remaining warehouse home center retailers (Home Depot, Builders Square and Home Club) will gravitate to "traditional" two-step distribution.

"The general trend was toward two-step and that's matured," said Mike Kreeger, national accounts manager for National Manufacturing. "People are settled into their buying decisions."

Merchandising hardware has become more difficult. Vendors like National and others report retailers demand more customized displays to fit each plan-o-gram.

Certain categories, such as screens, fit into seasonal sections and inventory turns increase a percentage point above "traditional" hardlines.

"We really see the seasonal demand increasing not only for traditional uses but for solar (diffusion) as well," said one wire industry executive. Wire and screen account for an estimated $400 million in annual volume to retailers.

On the decorative end of hardware, like cabinet hardware, turns typically are between 1.5 and 2.2 turns a year, according to Bill Skelly, vp of sales and marketing at Belwith, City of Industry, Calif.

"The saving grace for cabinet hardware is it is a profitable line. It returns above average profit despite low turns. With a power tool you'd get 10 turns but less than 25 percent gross margin," said Skelly.

Hardware
Est. retail market: $2.2 billion
Retail sales growth: 8.5 percent
Avg. turns: 2.5
Avg. gross margin: 46 percent

NHCN chart

THERE'S MORE TO PLY GEM THAN MEETS THE EYE

Ply Gem has come a long way in just a few years. Today, the Ply Gem family of companies is a major force in the home improvement industry. Their rapid growth is due to innovative products, creative promotions and, above all, satisfying their customers' ever-changing needs.

Allied Plywood Corporation—A coast-to-coast distributor of hardwood plywood, flakeboard, hardboard, laminated panels, furniture components, wood paneling, planking and specialty products.

Goldenberg Plywood & Lumber Company, Inc.—A manufacturer and distributor of furniture components, drawer parts, laminated panels and vinyl-wrapped mouldings.

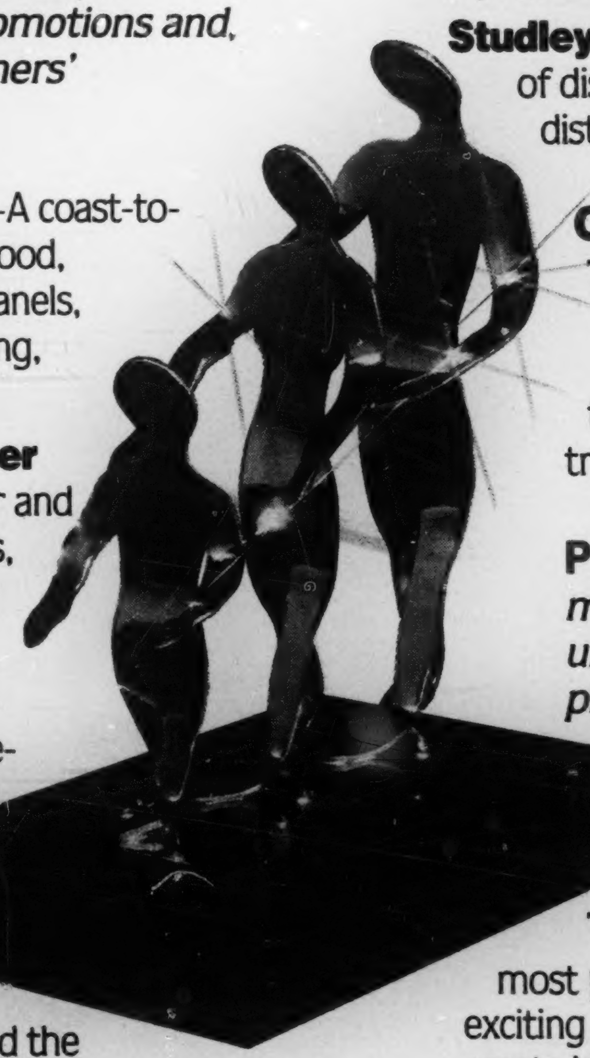
Great Lakes Windows, Inc.—Manufacturer of rigid (PVC) replacement windows and patio doors featuring patented "R" core insulation.

Hoover Treated Wood Products—Treaters of lumber and plywood for fire retardation and the control of insects, natural decay and wood-rot.

Chateau, Inc.—Manufacturers of vinyl siding, vinyl soffits and Varibest® skirting.

Air Filters, Inc.—Manufacturers of cloth and vinyl vacuum cleaner bags and high-technology filtration products for air pollution control and liquid/solid separation processes.

Studley Paper Company, Inc.—Manufacturer of disposable paper vacuum cleaner bags and distributor of related floor-care products.



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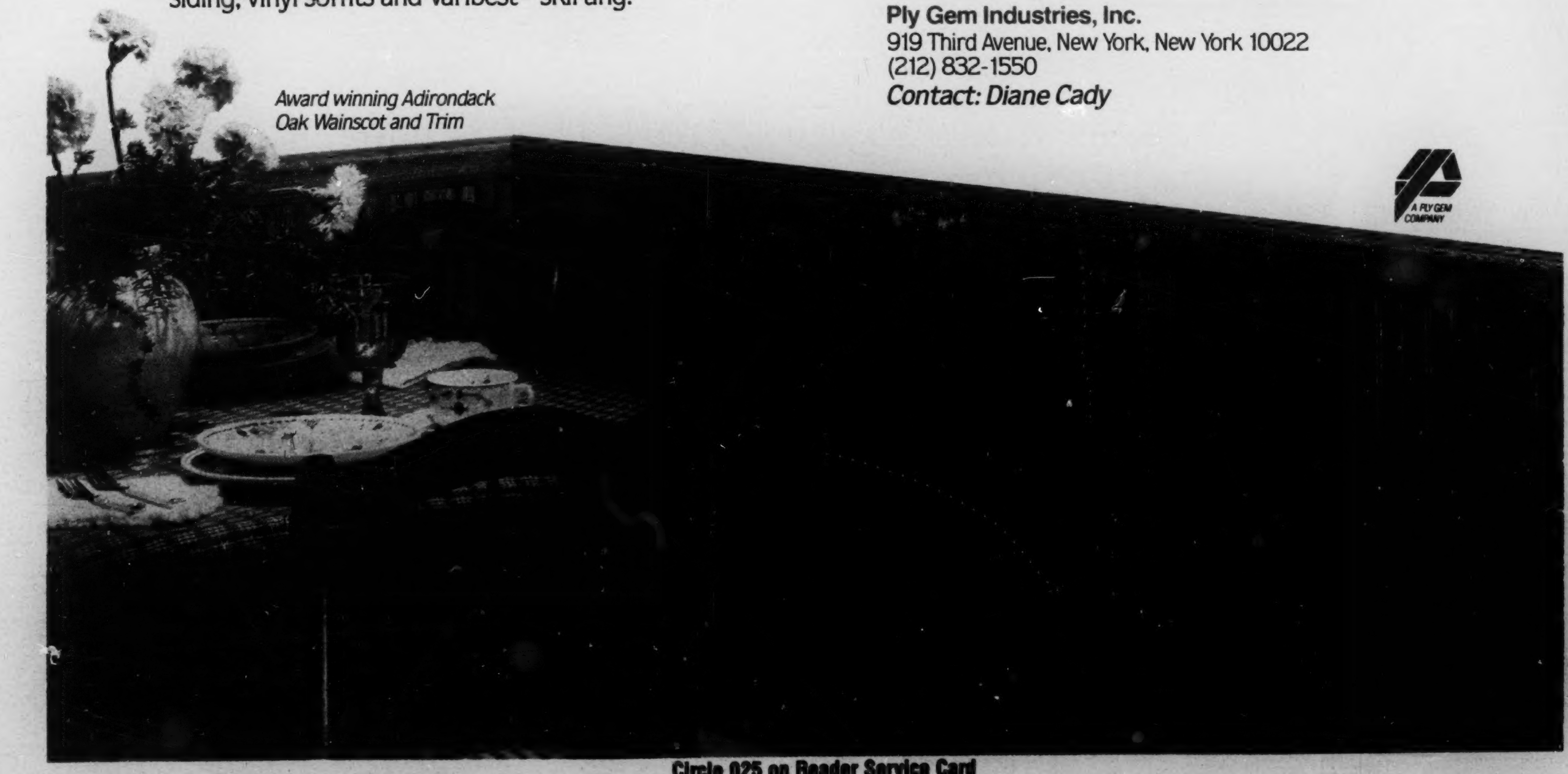

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Safety, home control add charge to electricals sales

New safety products and home control systems are helping to propel electricals sales to home improvement stores, a category whose huge 35 to 40 percent margins are some of the highest of any among products sold by home centers.

In fact, home control, with timers and infrared lights and motion detectors, is seen as such an attractive product area that well known suppliers such as Stanley Works, Black & Decker and Honeywell have introduced their own lines.

Manufacturers are predicting sales growth rates of between 10 and 45 percent in the category in 1988, due in part to the onslaught of such new products, but also due to a far stronger marketing thrust to make the products known.

"It's more of a marketing challenge as opposed to a sales challenge today," said Dan Bonini, marketing manager for Leviton, the Little Neck, N.Y.-based supplier. "The differences between suppliers now revolve around product innovation, merchandising and promotion."

Last frontier for DIY

The electricals area, seen by many as the last frontier for DIYers, is being promoted as never before.

Dealers' advertising is regularly tied into national promotions with giveaways and sweepstakes.

Leviton ran a sweepstakes in 1987 to draw attention to its new ground-fault circuit interrupter (GFCI), and in 1988 Carlon, the Cleveland supplier, will soon launch its first national TV campaign.

However, one product area with a low profile in 1987 was builders wire and extension cords. The fluctuating prices of both copper and PVC resin made dealers and suppliers such as Carol Cable and Woods Wire leery of promoting any given price.

Color attracts attention

Woods, the Carmel, Ind.-based supplier, is finding its own way of attracting attention, bringing new colors and therefore a taste of fashion to the cord business. It now makes a green extension cord for outdoor work and a beige cord for decks.

The future electricals department may see more merchandising of "cord management," such as extension cords packaged with cord winders or cord straps, and GFCI's sold as part of the cord itself.

Dealers may be looking for product innovation but their priorities now lie in other areas.

New marketing goals

"The actual [DIY] application of my product is often the 10th thing buyers ask," said Ken Richards, marketing manager for Carlon.

The good news for retailers is that as consumers replace and upgrade their products, so margins increase. Suppliers are purposefully designing products for ease of installation to encourage more electrical projects.

PVC conduits and fittings are now replacing metal boxes and are safer and easier to install. Homeowners are shifting from 16-gauge to 14-gauge cords and longer lengths, to protect tools.

Receptacles and switch plates are now becoming premium decorator lines and Leviton has turned to advertising these in consumer magazines.

Safety new marketing aim

The marketing of the safety issue could give rise to more new product innovations in 1988. The department may see the application of immersible detector circuit interrupters (IDCI's), now available in many hair dryers, which turn off the circuit when moisture is detected.

Electricals

Est. retail market: $600 million

Retail sales growth: 10 - 45 percent

Avg. turns: between 4 and 5

Avg. gross margin: 37 percent

NHCN chart

Dealers are now looking for a whole family of products, and suppliers are responding by adding more diverse items so that dealers can cut back on the number of vendors that they buy from.

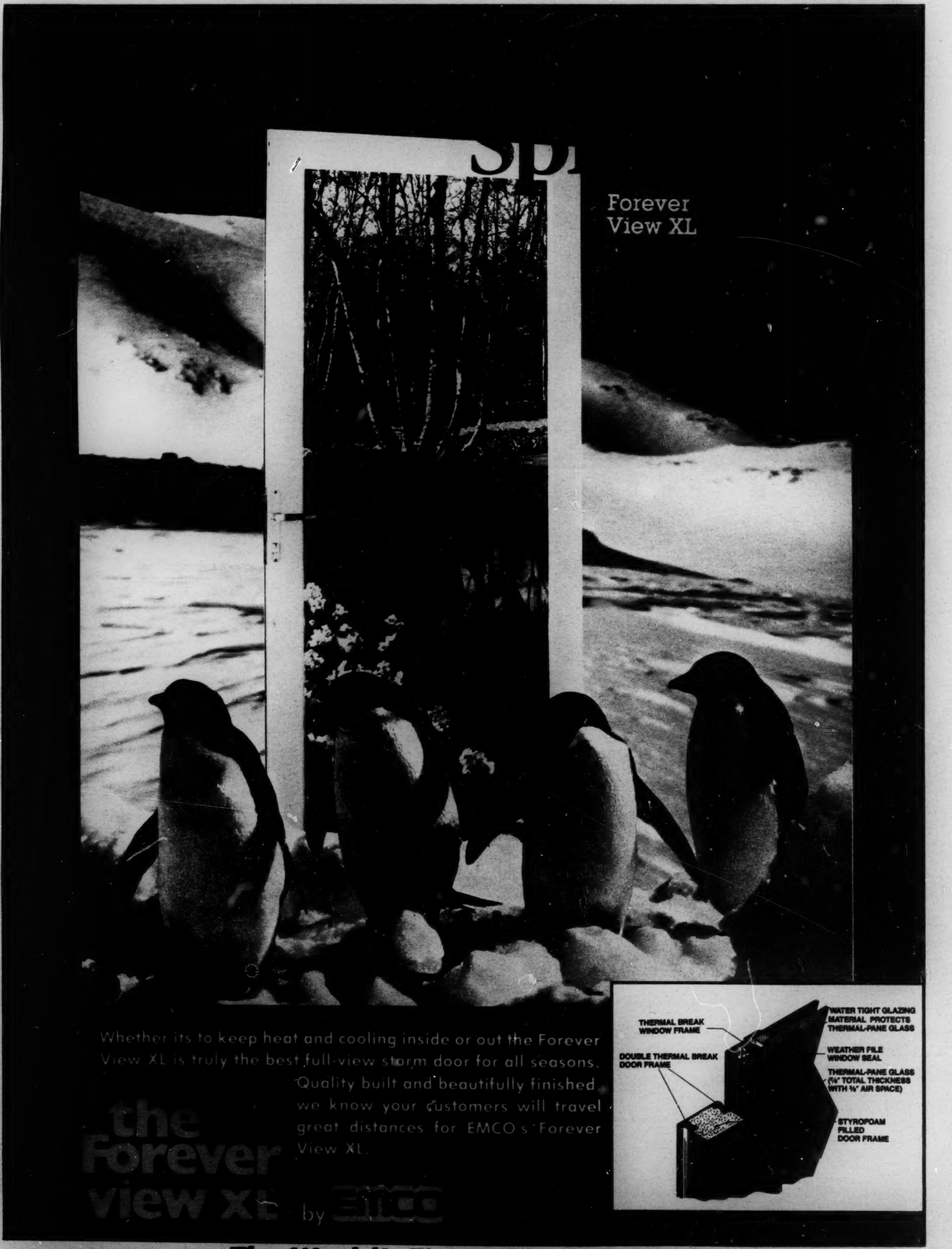
Honeywell, based in Minneapolis, introduced 19 new products this year, expanding from thermostats into home control timers and dimmers. Both Carlon and Woods Wire added home control systems to their mix.

"This whole product category is just the tip of the iceberg. New technology will take over the control of basic lighting, outdoor and security lighting," said Carlon's Richards.

Courting the contractor

As home centers actively court the small contractor and remodeler, their electrical departments are broadening to include higher-grade quality materials.

An official with Eagle Electric, the Long Island City, N.Y.-based contractor, in particular noted the trend towards quality switches, plugs, connectors and outlets to meet specification for hospitals.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Growth in lighting department may take new direction in future

Chandeliers, outdoor and bath lighting were the biggest movers in the lighting category in 1987, but future growth and profitability may take other directions.

The decorative outdoor lighting category may have peaked, as bright brass is becoming oversold with many cheap imports flooding the market.

Low-voltage lighting—including walk lights, deck lights and garden lighting—will continue to be a strong seller as consumers pay increased attention to security lighting. But suppliers complain that all the profit has been taken out of it by so much competition.

Companies are still experimenting with solar-powered deck lights, which could be an important new product in 1988, particularly in the Sunbelt and California.

Bathroom lighting will continue to be strong for remodeling, as well as in new homes, where the number of bathrooms has increased. Although oak and brass are still selling well, chrome is also making a comeback.

Indoor lighting is very much a fashion category. So retailers are continually looking for new designs to promote growth and separate their merchandise from their competition.

Euro-style designs and finishes are becoming popular for chandeliers. New acrylic shapes and more contemporary use of glass is a radical departure from the traditional five-arm chandelier.

Most dealers now feature the $250 chandelier as their top-of-the-line model, and are steering away from the higher priced chandeliers which once slowed inventory turns. The sales volume, however, continues to be in the price range between $99 and $159.

Diamond F, the Cleveland lighting supplier, allots some of its advertising budget specifically to helping retailers rid themselves of old fixtures.

"Lighting is the most profitable area within the electricals category, yet ads often overlook this area," said Bill Sparker, senior vp at Diamond F.

"There has been a steady increase in the promotability of lighting. Retailers now recognize it as a viable source for promotions," said Lowell Mazie, vp-marketing and operations at Delval, the Langhorne, Pa.-based manufacturer.

Those retailers using advertising to sell lighting are no longer just promoting their opening price points but stepping up the quality of the product advertised.

The category turns between 3 and 4 times annually, but this can rise to as frequent as once a week on promotion, according to suppliers. Gross margins for promotions usually drop from the minimum 41 percent down to between 19 and 35 percent.

Some suppliers are now altering their packaging to better promote the category. Thomas Industries, for instance, introduced a twin pack for its polished brass coach lamp in March and will add another promotion package this fall, according to Don Walker, director of marketing for the company.

There is also much more detail on the packaging in general as the retailer wants the customer to be able to read fast and understand its installation and does not want the product returned.

Ceiling fans become more decorative

Ceiling fans are becoming more decorative and stylish, and moving to five or six blade styles.

Retailers still rely heavily on offshore suppliers, but the low end of the price spectrum is now disappearing as manufacturers do more to make fans look more decorative and distinctive. In so doing, the cost of fans may in future rise by between $20 and $30 per unit.

The South continues to account for most ceiling fan sales, but the market is extending nationally, and it's from these regions that suppliers look to for their anticipated 15 percent to 20 percent growth in 1988.

The South is "saturated" with consumers buying fans on a replacement basis rather than for new installation. Consumers now perceive the product as a "needed appliance," according to Steve Martin, spokesman for Hunter Fan, Memphis, Tenn.

Outside the South the emphasis is more on buying a fan as a decorative item, and there is now a greater interest in fans as lighting fixtures. However, once people learn to appreciate the savings in energy costs, then they tend to buy two or three others in short order.

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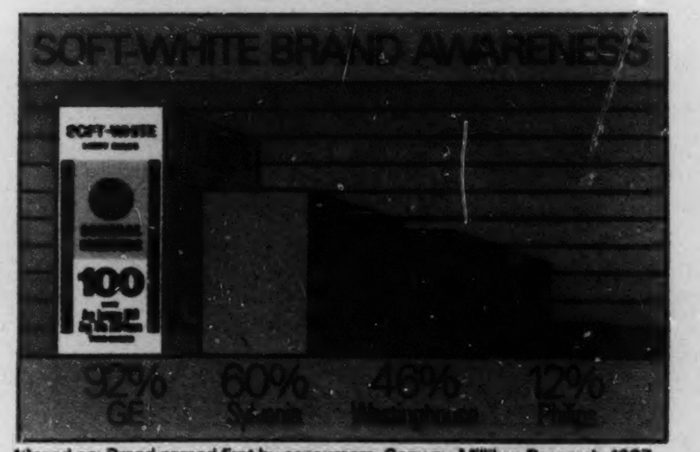


*Based on: Brand named first by consumers, Conway-Milliken Research, 1987.

GE Lighting

C-820

Circle 30 on Reader Service Card

Perspectives

annual census/hardlines

Hand tool makers hope to boost flat sales with upscale image

Hand tool manufacturers say upscale is in.

Though the industry hasn't introduced many new products in the past year and sales are essentially flat, manufacturers say higher priced items are selling well.

"I don't know if it's just now that people are starting to realize that they can get better quality, but people are willing to spend more," says David Springstroh, product manager for Disston, the North Carolina-based saw producer.

"There's still a market for cheap tools, for people who only use them occasionally," he says, "but anybody who's going to use the tool frequently is looking for something that will last."

Johnson Level and Tool, for instance, recently introduced a gift set that includes the company's $50 brass-bound mahogany level and a level guard. The set, introduced at Christmastime, will be offered again at Father's Day, says Jeffrey Cowie, director of sales and marketing for the Mequon, Wis., supplier.

> ❛There's still a market for cheap tools, . . . but anybody who's going to use the tool frequently is looking for something that will last.❜
>
> —**David Springstroh**, *product manager, Disston*

Cowie adds: "It's just a question of whether the guy wants to get off on having a $50 level in his shop or an aluminum one that basically does the same thing. I don't know why the consumer's upgrading, but he is."

Richard Jacoff, chairman of Great Neck (N.Y.) Saw Manufacturing, says his company's business in better tools has increased. And, as with power tools, much more of what consumers are buying is made in the United States, because the weak dollar makes imports more expensive.

"There's been a dramatic shift in sourcing. The fluctuation in the currency has had a major impact," says an executive with Stanley Tools, New Britain, Conn., who asks not to be identified.

More products, he says, are coming from countries like Hong Kong, where the currency is tied to the dollar, and fewer are coming from Japan. Mexico is also gaining popularity as a manufacturing source.

But because the industry is flat, growth for individual companies is likely to come from gains in market share, rather than through increased sales industrywide, he says.

Manufacturers are also turning to accessories to liven up the market.

CooperTools has introduced a line of wood rehandling kits, with more than three dozen sizes and styles.

Changes are also likely to be made in packaging, says Great Neck's Jacoff, especially to enhance the upscale items.

One reason for the flatness of the market, he says, is that cordless power tools have cut into the hand tool market.

The Stanley executive agrees.

"The whole market is changing, largely because of prefab [prefabricated housing]," he says. "The whole thing is what does it the most efficiently."

Hand tools

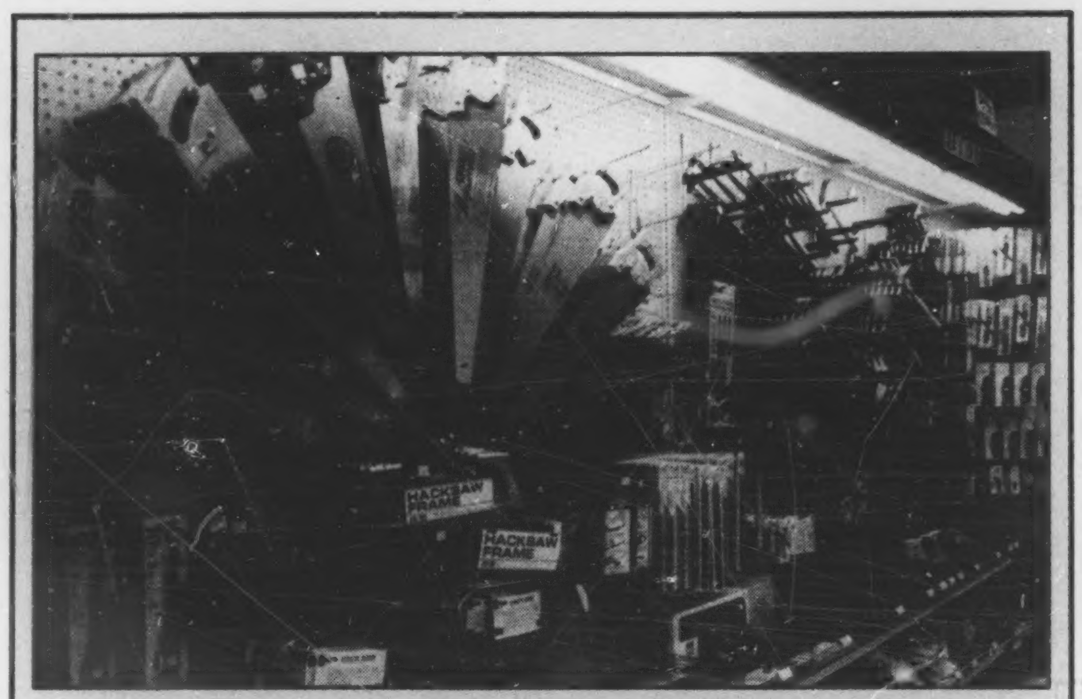
Est. retail market: $1.5 billion

Retail sales growth: flat

Avg. turns: 4

Avg. gross margin: 33 percent

NHCN chart



Sales of hand tools have been essentially flat, with few new products introduced in the past year. Manufacturers are now realizing that they can boost sales by appealing to upscale buyers. NHCN photo

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Circle 32 on Reader Service Card

Falling dollar improves sales for U.S. power tool manufacturers

The fall of the dollar has made U.S.-manufactured power tools competitive again, although prices still might go up this year. Cordless tools, particularly drills, continue to be popular with consumers. NHCN photo

Power tool manufacturers are likely to be very patriotic this year. The falling dollar has made U.S.-produced tools more competitive with imports and has prompted foreign producers to start manufacturing operations here.

The bad news for retailers is that despite the competition, power tools will probably become more expensive in 1988.

Manufacturers say they have been absorbing price increases for several years to remain competitive with imports. Now, they say they will boost costs to improve their margins. On the flip side, foreign manufacturers say they must now raise prices because of the falling dollar.

"If the yen stays where it is, we'll be okay," says Patrick Griffin, assistant vp for Makita U.S.A., a subsidiary of the Japanese manufacturer. "If not, we'll have to have another price increase." It recently raised prices 5 percent. To combat the problem, Makita is "bringing as much manufacturing as fast as we can to the U.S.," Griffin says.

The company recently spent $10 million on a new plant in Atlanta. In Phoenix, Ryobi has opened a new plant.

In contrast, Dremel, which does all its manufacturing for its workshop tools in the U.S., is "having the best year we've ever had," says John Welsh, western sales manager.

He reports that sales are up 45 percent in the West, 35 percent in the Southeast, and 27 percent in the East.

At Black & Decker, Michael F. Golden, director of marketing for the U.S. Power Tools Group, says prices won't change that much this year. And to some extent, he discounts the dollar-yen war.

"If the pricing happens, that's great. But that's not what we want to compete on," he says. "The dollar will change again, and if you start chasing it, you're not going to win that battle."

Prices at Skil, the Chicago-based supplier, will probably increase a couple of percentage points, says Robert E. Brymer, director of consumer marketing.

Throughout the industry, he says, "I don't think there are too many [people] covering their costs."

But he says manufacturers have been hesitant to increase prices because "it's not a marketplace where you can have price increases without serious consequences."

Manufacturers say cordless will continue to be a vital category for them.

With the improvements in rechargeable nickel-cadmium batteries, cordless tools can be operated longer and take less time to recharge.

Manufacturers also say they will continue to make tools that are lighter and designed for easy handling.

B&D introduced eight cordless items in 1987. Plans call for a similar number of introductions this year. The cordless screwdriver remains among the most popular cordless tools. Also selling well are cordless drills.

And several manufacturers are developing new types of saw blades. Skil, for instance, is marketing The Ugly, a blade it claims can cut 50 percent faster than other blades on the market.

Manufacturers are also going for the serious DIYer with better quality tools.

"The serious DIYer has really helped us," says Skil's Brymer. "People are willing to pay more for something that will last."

Power tools

Est. retail market: $2 billion *(excludes accessories)*

Retail sales growth: 2.2 percent

Avg. turns: 5

Avg. gross margin: 28 percent

NHCN chart

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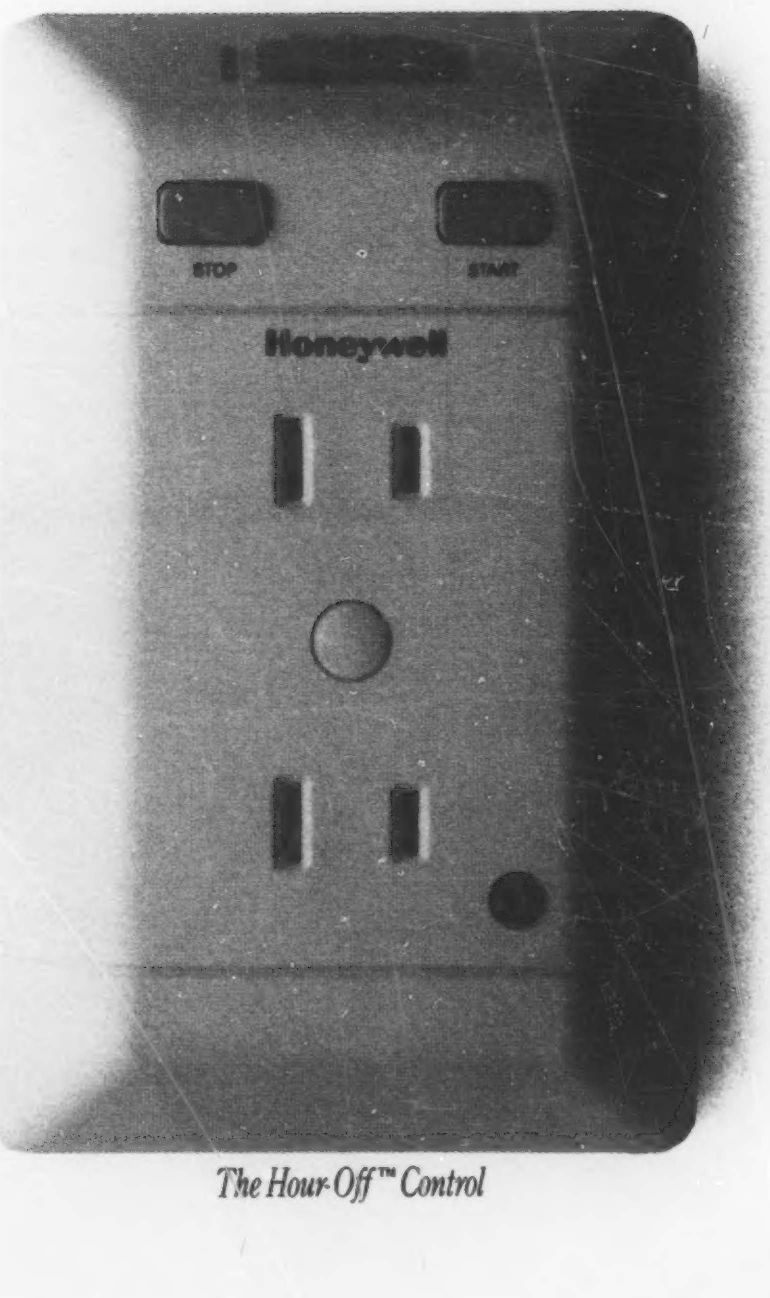

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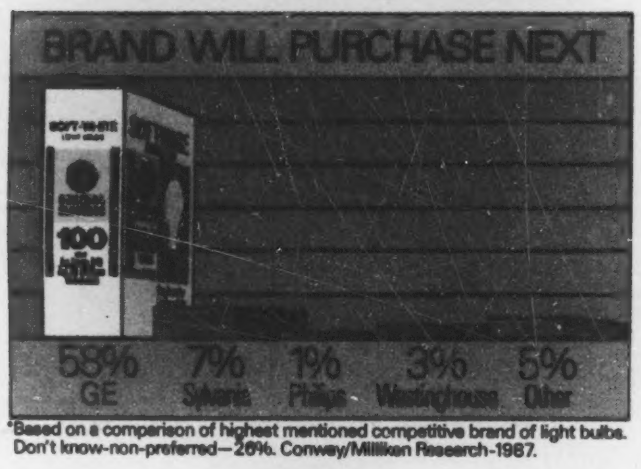

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

GE Lighting

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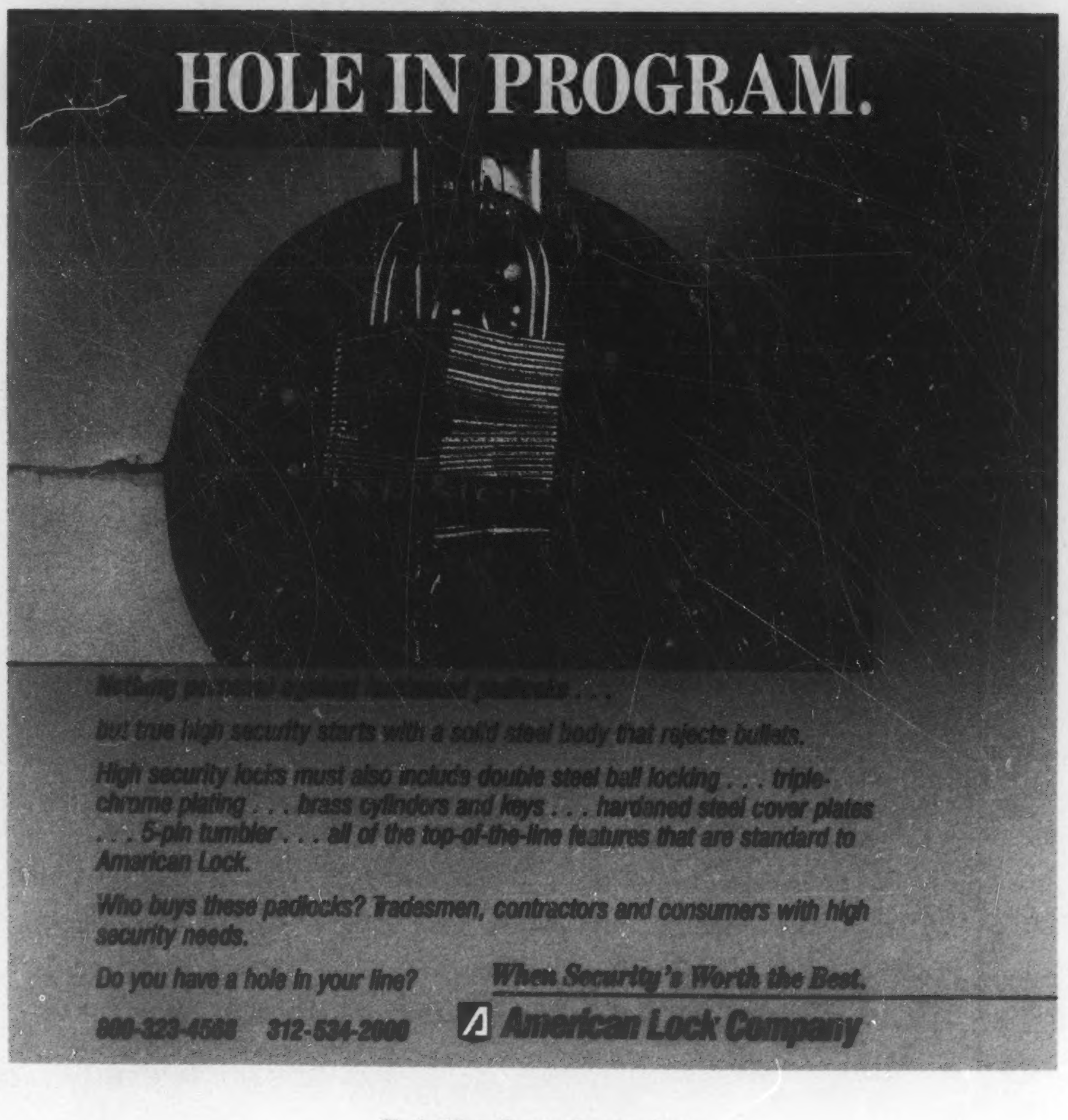
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American Lock Company

Circle 36 on Reader Service Card

New products, features, lower prices help boost home security

The home security industry expects sales to grow vigorously for several years, aided by new products, new features for maturing products, better displays, lower prices and national advertising.

At Heath Zenith, the St. Joseph, Mich., manufacturer, management said they anticipate that the combined residential and commercial markets will grow from $5 billion in 1986 to $7 billion in 1995.

Bruce Peterson, Heath Zenith's marketing manager, said the industry sells 60 percent of all security products on the residential market.

Retailers sold approximately 9 million smoke detectors last year, worth about $75 million at retail, said Robert VanZeyl, director of marketing for Jameson, the Downers Grove, Ill.-based supplier.

Jerry Carrino, vp-sales for First Alert, headquartered in Aurora, Ill., said the industry sold about 8 million smoke detectors last year and 6 million fire extinguishers.

Advertising has helped boost sales, manufacturers said, by alerting customers to the relatively low cost of smoke detectors and burglar alarms.

First Alert is banking on advertising to convince Americans to buy fire extinguishers for their cars, boats and various spots around the house.

The industry has also used ads successfully to pitch the idea of more than one smoke detector in each home. Carrino noted that 30 percent of American houses now have three or more smoke detectors.

Customers have absorbed the message that wireless burglar alarms have arrived, as Black & Decker, Heath Zenith, Universal Security Instruments, Schlage, RCA and Genie are marketing products in a big way.

The average customer still needs to learn about passive infrared technology and other new features in home security devices, industry observers said.

Several manufacturers have used the technology to make lights that turn on when a person approaches, a security feature for exterior lighting and a convenience indoors.

Meanwhile, new features for maturing smoke alarms include a First Alert model designed so that the owner can check the battery by shining a flashlight on the detector. Jameson plans to ship a smoke detector that sounds off weekly to let the owner know the battery is still charged.

New products and features have become the focus of many manufacturers' displays.

A Jameson display uses a picture of a house with color-coded rooms. The colors match packaging for devices appropriate to the room.

VanZeyl gave the example of a lighted alarm for an exit or an alarm with a louder horn for the basement.

For two years, First Alert has offered a display that brings together smoke alarms and fire extinguishers in a line presentation that encourages stepping up.

Peterson said Heath Zenith has produced a video and printouts for kiosks in stores run by Builders Emporium, the Irvine, Calif.-based chain.

New products and displays have prompted optimism.

"Home security is still at the beginning level," said Peterson. "Things that were commercial are coming into consumer use."

Suppliers looking for new niches in security hardware department

Retailers can expect more variety in security hardware as suppliers scramble for niches in a market plagued by nearly flat sales.

Manufacturing sources estimated the category's retail residential sales at $500 million in 1987, not much different from the year before and about the same as projections for this year.

One manufacturer predicted interest rates would rise, depressing housing starts and thwarting growth.

Sales probably will not decline, though, because more people are buying houses that need renovation, including new security hardware, another manufacturer said.

That leaves retailers and manufacturers vying for a larger share of a slowly expanding market.

One result is that Schlage has diversified with a foray into wireless burglar alarms and locksets with number codes.

A number of suppliers have increased their imports from the Orient to reduce costs and pin down the low-end market.

Even the higher end U.S. manufacturers have moved much of their production to Mexico for cheaper labor and less stringent environmental regulations.

However, some industry observers believe the import trend is reversing as sales migrate to the higher end.

Some manufacturers, Weiser among them, will try to fill the higher-end with "designer" products at higher prices, said Bob Pacelli, Weiser's director of marketing.

Next year, Weiser locks could cost 30 percent to 40 percent more than many competitors, up from 10 to 15 percent.

Greg Markes, a product manager for San Francisco-based Schlage Lock, also emphasized the increasing importance of decorator security hardware and the resulting potential for higher sales.

Manufacturers are also trying to differentiate their products in what was once a commodity business.

Schlage, Weiser and Kwikset, the Anaheim, Calif.-based manufacturer, have all introduced new self-sell packaging in the past year, according to industry sources.

Master Lock and Dexter Lock, both based in Milwaukee, have joined Schlage and Kwikset in placing more emphasis this year on mounts integrated into the tops or sides of merchandisers.

Weslock is concentrating on "Interlocking Forces," a series of store demonstrations featuring factory people and local police.

"We aren't just selling Weslock, we're selling security," said a company spokesman, who also noted increased store traffic during the programs.

Chains participating in the program have included Payless Cashways, Sears and Courtesy Home Centers, a Mount Prospect, Ill.-based chain of six stores.

At Weiser, national advertising has played a major role in the last year, Pacelli said.

"That's been a drastic change for us," he said. "We're going after the consumer."

Manufacturers make plumbing parts easier for DIY use

The trend continues into 1988 to make plumbing parts easier and more readily understood to the consumer. Vendors report a resurgence in two-step distribution, partly to hike turns and lower inventory and partly to accommodate regional needs.

In addition vendors report over the last 18 months retailers are demanding and, in turn using, better merchandising displays. Signage, vendors report, is becoming an integral part of the product mix.

In the last year vendors appear to have reached their goals of making plumbing a DIY category and home centers the source of those sales. Getting consumers away from plumbers appears to be one marketing tool.

"The dollars are shifting from the plumber to DIY," explains Dan Stuart of Chicago Speciality. "People would like to use the plumber, they have the money, but they don't want to sit and wait," explained Stuart, vp of sales and marketing.

Tim Smith of Brass Craft-Plumb Shop's echoed: "There are more DIY instructions today, parts require fewer tools, all to get away from (calling) the plumber." Smith is Northern regional sales manager of Brass Craft-Plumb Shop.

Plumbing Parts

Est. retail market: $3.2 billion

Retail sales growth: 8 percent

Avg. turns: 4.6

Avg.gross margin: 38 percent

NHCN chart

While still dominated by two large companies, the plumbing parts category contracted last year with the exit of at least two manufacturers and one firm that dropped out of the carded business.

Waxman Industries, the manufacturer and repacker in Bedford Heights, Ohio, boosted its offerings last year with the acquisition of Montreal-based H. Belanger. Belanger, a strong private labeler of faucets and plumbing parts in Canada, brings the new parent company a number of new stockkeeping units moving into the higher end. While the acquisition took place in the waning days of 1986, the first full year with Keystone Franklin on Waxman's books (1986 sales $22 million) brought Waxman a number of private label plumbing programs in home centers.

Shortages in both pvc plastic and metal raised the prices of replacement parts last year. Once-cheaper imports are now on par with domestic parts and the "Buy U.S." mentality is now a reality.

Interest rates were lower for much of last year, which normally would have allowed retailers to build inventory. But vendors report the tendency to source from distribution increased in 1988. Half of the large home center retailers are still buying direct. The other half buying direct, "now want to get back into distribution," observes Gary Harris, national sales manager of Fluidmaster. Harris believes—with the re-emerging strength of buying groups like Sentry Hardware—retailers are re-evaluating the cost of using their own warehouses.

"Compared to five or seven years ago when everyone was going direct, they're leaning back toward two-step because of regional needs and differences in stock,"said Stuart of Chicago Specialty.

High-end bath fixture demand grows

The "steel can" look of bath fixtures is dead.

"The high-end, clean, decorative look" is in demand and is the trend of the future, explains Steve Maryarski, Midwest regional manager of fixture maker Miami-Carey.

The industry trend in fixtures follows builder demand to make the bathroom a "suite."

Bob Jewell, director of consumer products marketing at the Kohler Company, agrees saying total bath remodeling projects—not just fixture replacements—are growing.

There's been an improvement in the mix offered to retailers too, with home centers broadening their upper-end offerings.

"We see a change in the color mix—the white to color ratio—and in a lot of outlets the low end is going by-the-by," quipped Robert Samsing, director of consumer marketing for American-Standard. Not just colors, but the higher-end, one-piece toilets and pedestal lavs are becoming part of the broader line.

But more important than looks, distribution of the often heavy and fragile plumbing fixtures is shifting. Jewell said home centers are shifting away from direct shipments in favor of distribution. "The home center doesn't have to carry inventory and the wholesaler can back him up." Distribution, said Jewell at Kohler, can boost the typical three to four turns to as high as 10 turns per year.

At least two of the five large fixture makers, Universal Rundle and Miami-Carey, are eliminating factory-direct shipments in favor of company-owned distribution centers.

And, at least one manufacturer who asked not to be identified, said more home centers are asking fixture companies to stop sending reps.

Samsing at American Standard believes with the hike in consumer's willingness to pay more for higher-end fixtures, home centers will have to increase training of floor personnel, "taking a consumer from a $35 item to a $200 item" like the one-piece toilet.

Margins will have to improve from the current 10 percent to 20 percent at the low end and as high as 50 percent at the high end, said Samsing. As consumers buy more of the higher end, and home centers take on additional inventory and thus capital costs, margins must be adjusted.

Fashion trend sparks broader faucet lines

Where they used to be a fixture "till they broke," faucets are now an accessory consumers switch with fashion whims. This makes for broader lines from vendors and a dizzying option of choices for both retailer and consumer.

"The faucet business has become has become part of the fashion business," said Doug Martinez, director marketing at Price Pfister. "People are attracted to color, style and design in all areas of the housing business."

Paul Koenig, vp of marketing services at Peerless Faucet echoed, "Style is the fastest growing sector. It hasn't flattened out yet."

Vendors contacted repeated that the renovation market has blossomed and fashion in faucets remains in demand as consumers associate style with quality.

Overall, the outlook for faucet sales in 1988 is divided. Executives from category leaders report widely differing expectations this year. Estimates ranged from one to three percent growth up to an estimated 15 percent to 20 percent growth in unit sales.

Prices, which moved up less than two percent this year, are bound to rise. Manufacturers report having to pass on raw material cost increases which exceeded 10 percent last year.

Steve Picker, director of sales for Texas-based U.S. Brass, spotted a recent countertrend in distribution last year. For a number of reasons, retailers are cutting sources of supply, Picker says, looking for a single source.

Two-step distribution to retailers is growing, especially with the growth of private label programs among the co-ops hardlines distributors. "The little guy, buying $50,000 to $100,000 in faucets a year can't do it (buy) direct or he's going to pay a premium," said one vendor. Yet Sterling Faucet is approaching the small dealer on a new, single-unit, drop-ship program on more costly products.

Retailers will continue to have hard choices as vendors broaden the "middle range." The once unstylish $50 to $70 middle market has changed; it is now broader and as stylish as the Euro-look high end of just two years ago.

U.S. Brass, which doubled the stockkeeping units in its line, finds greater need for distribution. "Retailers can't show an entire line" yet they depend on distributors for the entire assortment and quick delivery, says Picker.

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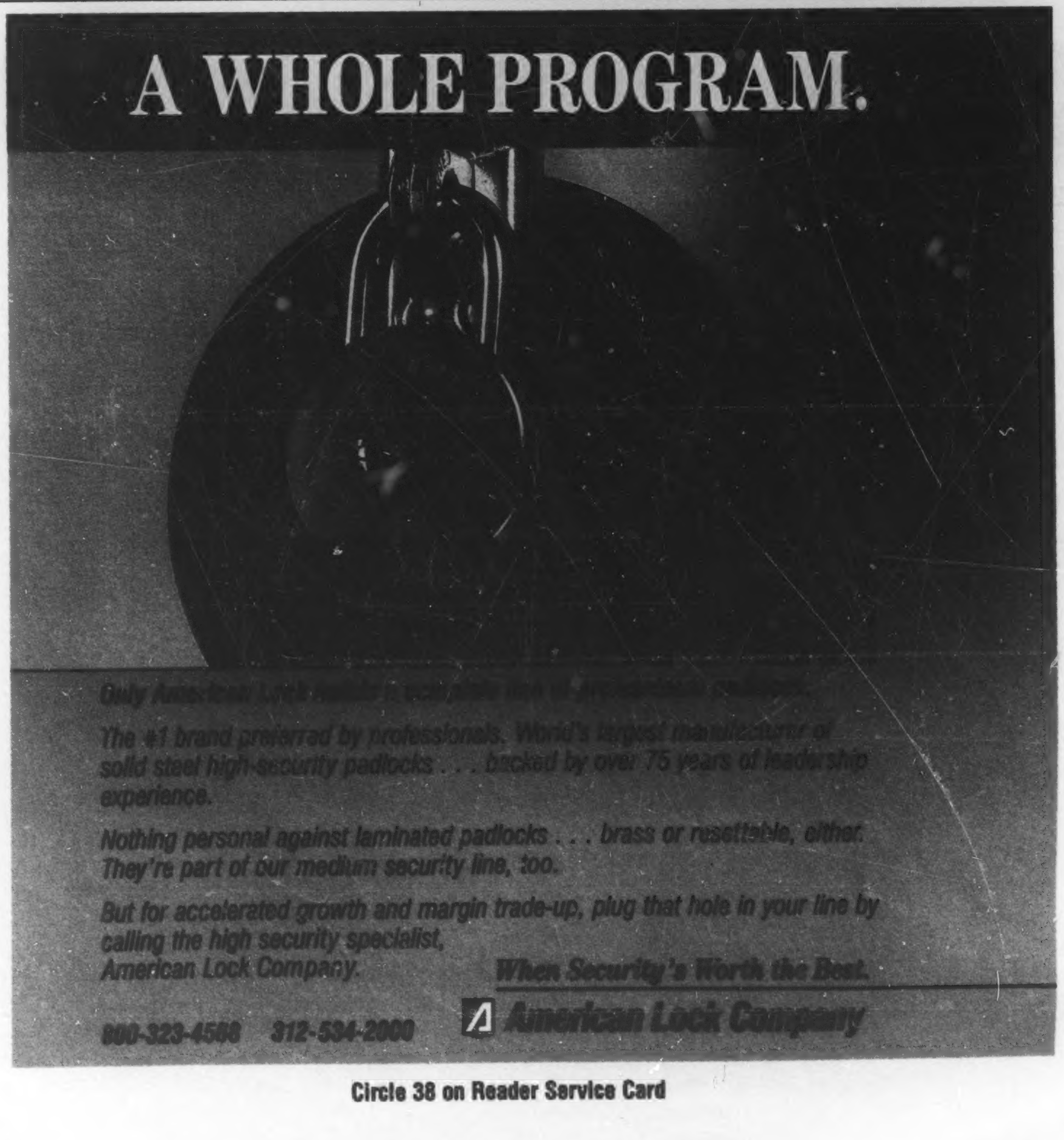
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Euro-style contributes to bright outlook for U.S. cabinet makers

Euro-style frameless cabinets have contributed to modest but acceptable growth in the category over the past year, accounting for about 10 percent of cabinet sales in the U.S. NHCN photo

Cabinet and vanity sales have recovered from a slow January and slower February, prompting industry experts to predict that this year will match the success of 1987.

"In March, all hell broke loose," said Alan M. Kurzman, vp of marketing for Dallas-based Triangle Pacific.

That could mean retail sales well in excess of $2.2 billion—a good year, but not a boom year—based on figures from industry sources.

A contributing factor to the relatively bright outlook is the continued gains for Euro-style frameless cabinets. A new design could encourage earlier replacement purchases, industry observers said.

Frameless cabinets now account for about 10 percent of U.S. sales and could climb to 25 percent within five years, said Larry Wilson, advertising manager for Merillat, the Michigan cabinet maker.

Merillat plans to enter the fray by introducing frameless models later this year.

Kurzman, whose company already sells frameless cabinets, remains a little more skeptical about how quickly the frameless phenomenon has spread.

He estimated a 10 percent market share for frameless combined with Euro-look cabinets that appear frameless because of concealed hinges and full flush doors.

Increasingly, customers understand distinctions of the sort Kurzman described.

Focus groups have taught Merillat executives that customers are carefully choosing merchandise.

"They spend a year or more researching their kitchen before they buy," said Wilson. "They're really very knowledgeable."

Those customers may soon begin learning about a new sort of product: injection molded bathroom cabinets from Allibert, a Stanley, N.C., manufacturer.

The company, a subsidiary of a French concern, makes a line of cabinets with molded edges and another line made completely of molded resin, said Bob Senn, director of Allibert's bath division.

Distribution will begin in specialty stores, and if the idea catches on there, the technology eventually could move to the mass market, Senn said.

He predicted the product could filter down to the mass market within three to five years.

At the same time, Senn admitted that high inventory requirements for molded cabinets do not follow the trend toward cutting cabinet inventory in home centers.

The company already is selling injection molded medicine cabinets to home centers. The 14-model line retails from $100 to $400, Senn said.

At Merillat, exchanges with executives at companies that make complimentary kitchen products are spawning product development.

Wilson noted that Merillat decision makers now meet with the people from the many companies now under the Masco corporate umbrella.

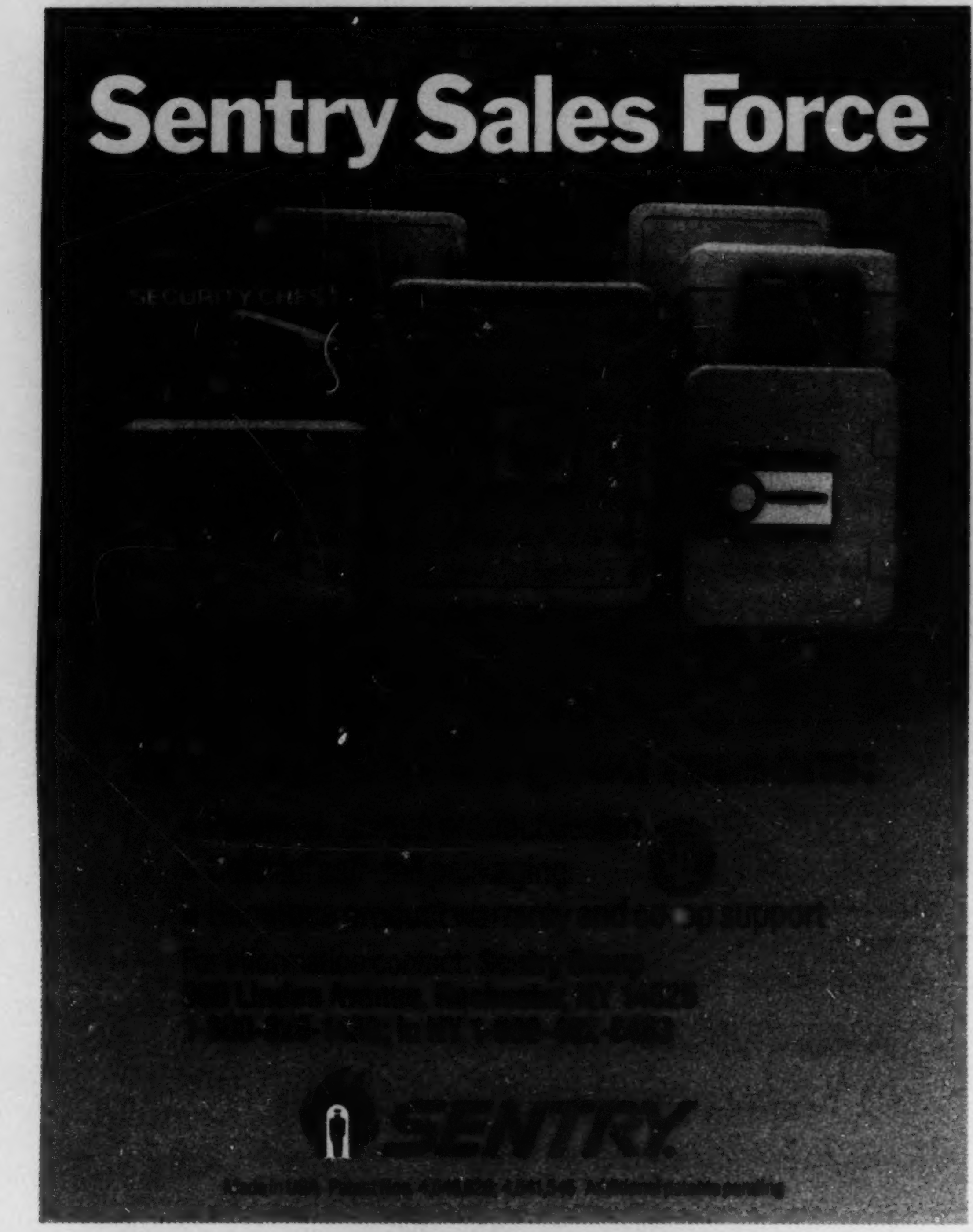
"It's easy for me to pick up a phone and talk," Wilson said.

New products aside, retailers still advertise cabinets at below list price to draw customers into the stores.

Retailers can afford to cut cabinet prices by 50 percent, or even 70 percent, by selling a complete project with fixtures, floor coverings, wall coverings and more for the kitchen or bath.

Manufacturers disavow responsibility for price-cutting, however, and place the blame with retailers.

Despite discounting, prices remain high for most customers, but not so high as to push many home centers into financing projects.



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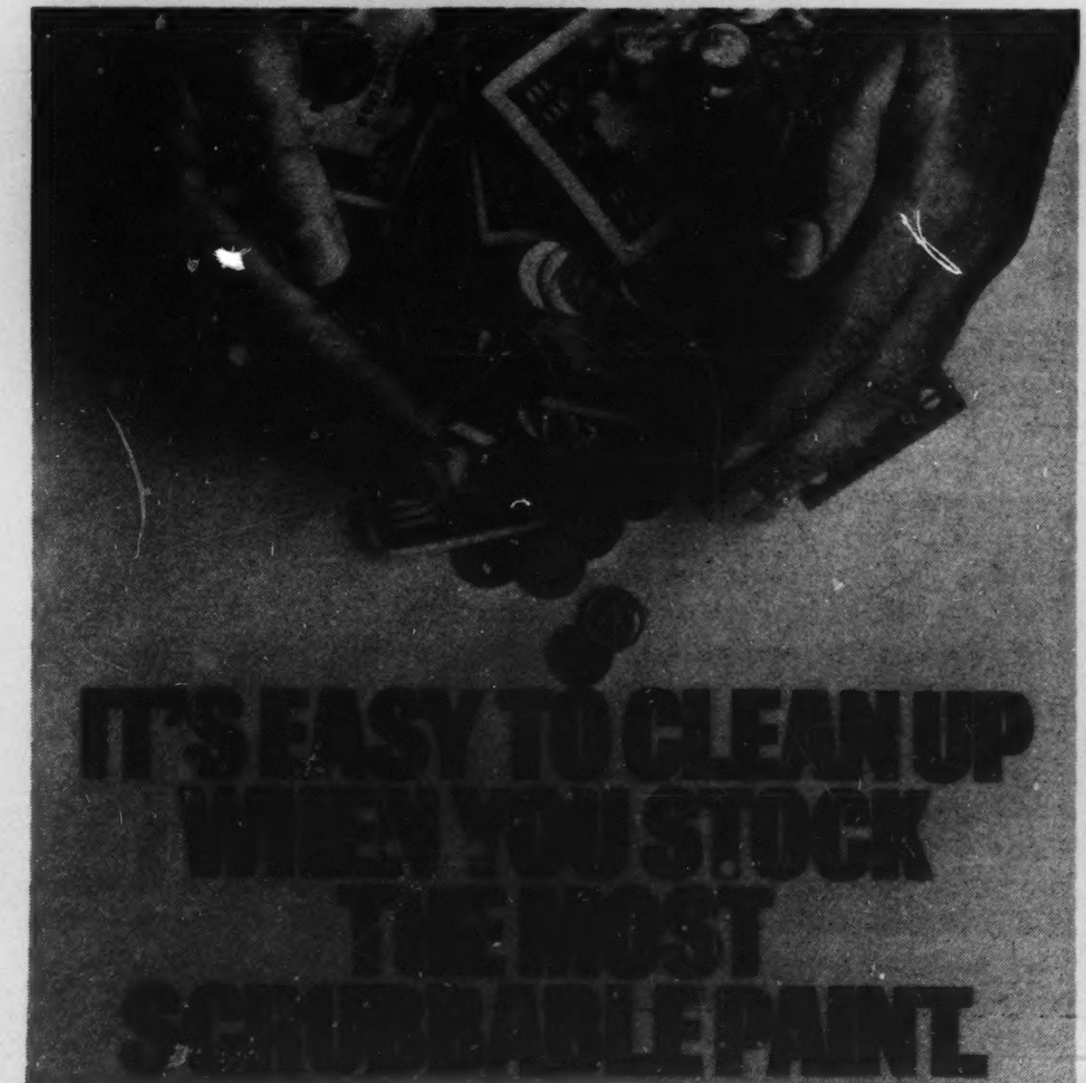
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Function and style key to growth of air control market

Functionality fused with style may help to expand the heating and air control market which, many manufacturers agree, has had lackluster market expansion over the past few years.

But by adding some decorative touches to such standard heating and air control devices as timers, baseboard heaters, thermostat plates, portable space heaters and even fireplace accessories, sales might reach new heights in the coming years, manufacturers hope.

As a result, many manufacturers say retail buyers should not be too surprised if in the near future thermostats are adorned with colorful art-deco designing, or if portable space heaters come in a variety of colors (versus the standard dark wood overlays) and if fireplace glass doors become more decorative with etchings and beveling.

Comments from Jim Stokes of Hart Fireplace Fixtures, New Albany, Ind., typified those of many suppliers to the market when he noted a sharp contraction in the market since the late 1970s. Hart, which is widely credited for being the first to make and distribute glass fireplace doors, is one of four major suppliers in the fireplace accessory market.

Stokes, whose company makes other accessories for fireplaces including mesh screens, tending utensils and log racks, said his industry peaked in 1978 with annual sales in excess of $300 million. But he estimated that the sale of fireplace accessories in 1988 will top out at around $200 million, with retailers enjoying a hefty 40 percent margin on roughly three turns a year. He said the industry bottomed out in 1983, but the past three years has seen annual sales gains.

Although the market is quite competitive, Stokes said fireplace accessory manufacturers have begun to cater to an upscale buyer who is more willing to pay a premium for glass fireplace doors at the higher end of the spectrum. He noted that when a room has a fireplace, it is usually the second item, next to windows, that a woman concentrates on adorning.

Thermostat plates or covers, which have been produced to blend in with wall colors, are beginning to move beyond colors and enter the realm of shape.

Image becoming important

One marketing executive for a major manufacturer said his company is starting to make thermostats that feature a sleek, European design, highlighted primarily by curved edges and untraditional shaping.

The thrust to lend good looks to a utilitarian heating product is equally true for portable space heaters, which, in the past few years, have taken on a high-tech, glitzy look. Grandmother would have a hard time recognizing the space heaters and baseboard models being manufactured by such companies as Arvin Industries or distributed by DeLonghi America.

Although manufacturers have included buzzers or whistles to warn the user when the units overheat or are tipped over, they are not skimping on looks either.

The competitive and, some say, oversupplied portable heater business became even hotter two years ago when manufacturers introduced ceramic space heaters, the compact, high-tech units that may be among the most powerful heaters on the market and among the most costly, at $150 retail.

> Grandmother would have a hard time recognizing the space heaters and baseboard models being manufactured today.

With the introduction of ceramic heaters, the shoppers now have the option of buying some six different kinds of space heaters. These include electric baseboard heaters, electric forced air heaters, electric nonfan heaters, electric oil heaters, electric quartz heaters and now ceramic models.

Neither manufacturers nor industry associations could gauge the retail sales size of their products, but based on industry shipments, orders have been increasing by 5 to 7 percent annually since 1985. According to *Appliance* magazine, more than 4.5 million portable space heaters of all kinds were shipped in 1987. Margins on the products, depending on the season, can range from a November-to-February high of 35 percent to a spring low of 18 percent.

Another product group worth watching in the category is air conditioning, especially with suppliers like Hunter Fan and Champion Cooler distributing full lines of imported air conditioners, and with more dealers looking to tap into this seasonal product.

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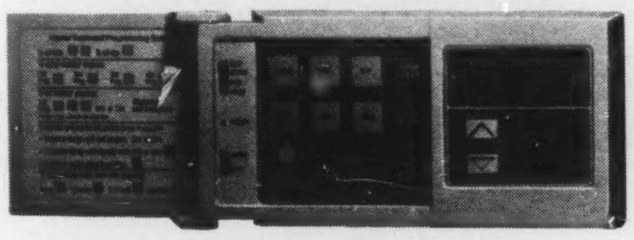

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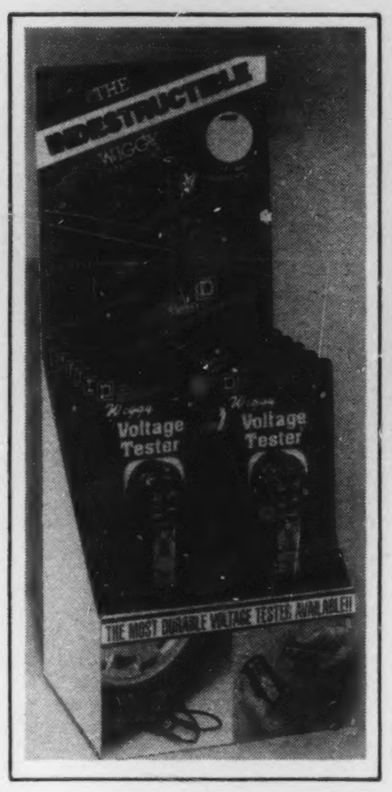

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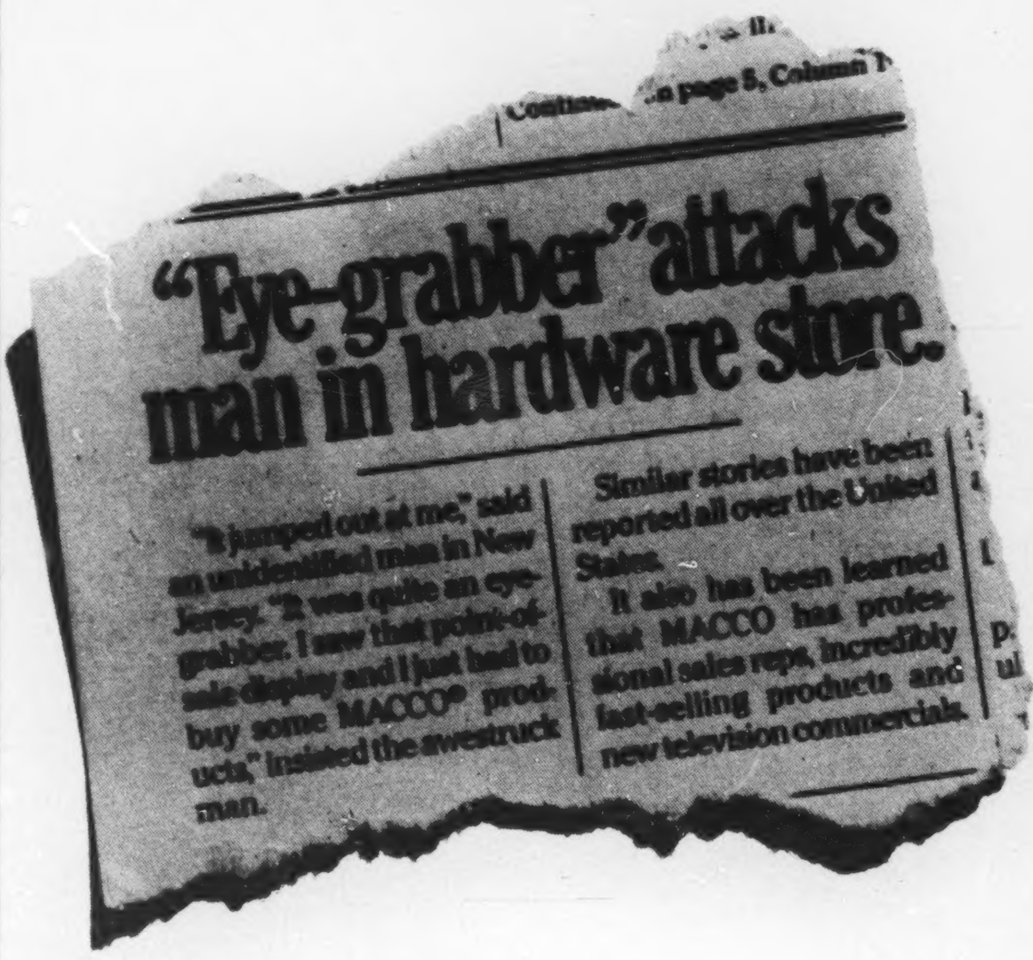

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"Eye-grabber" attacks man in hardware store.

"It jumped out at me," said an unidentified man in New Jersey. "It was quite an eye-grabber. I saw that point-of-sale display and I just had to buy some MACCO® products," insisted the awestruck man.

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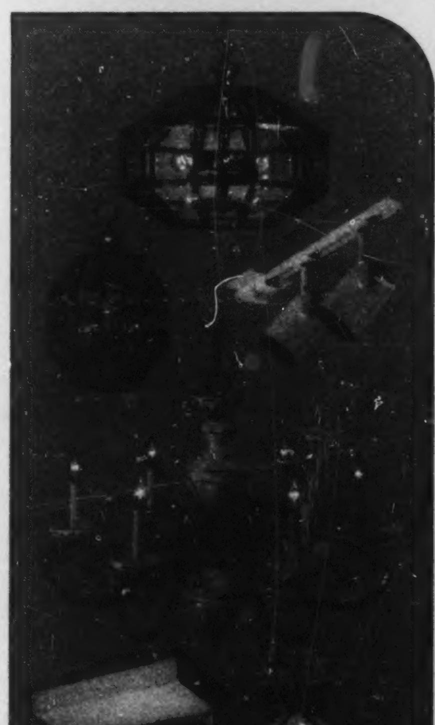

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Diversity of products helps L&G departments post strong gains

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Gas grills showed strong growth in 1987, beating out charcoal grills. They should still sell well in 1988. NHCN photo

The variety of products ranging from live plants to garden tools to chemicals and fertilizers to birdfeeders that comprise the average lawn and garden department created enough consumer interest in 1987 to result in a 23 percent sales increase over 1986.

The National Gardening Association (NGA), Burlington, Vt., further reported that 70 million American households are involved in one or more gardening activity.

But the grass may not be greener in 1988, according to Bruce Butterfield, research director for the NGA. A more conservative 10 to 12 percent increase is expected for 1988 due to the softening California market.

Nancy Flinn, NGA public relations director, sees lawn and garden as a category that will continue to grow due to a market shift.

"In 1987, over half of the $17.491 billion that was spent on lawn and garden [including outdoor power equipment] products was spent by baby boomers. They have their own homes and they have dollars to spend. Usually they are two-income families, and they want to make a statement with their homes and yards."

The baby boomers are also partly responsible for allowing a new category of pesticides to emerge. A variety of products touted as nonresidual, that are water soluble and therefore safer for the environment, has gained visibility in home centers.

Consumer demand prompted many retailers to stock biodegradable herbicides, pesticides and fertilizers.

While there are a number of companies that manufacture only the biodegradable alternatives, Ortho, the leading producer of lawn and garden chemicals, is looking into a nonpetroleum-based product.

Lowe's, the North Wilkesboro, N.C., chain, summed it up best. "We recognize the changing requirements of the environment and we see the natural products as a very good way to go," said Robert Swanson, senior-vp merchandising.

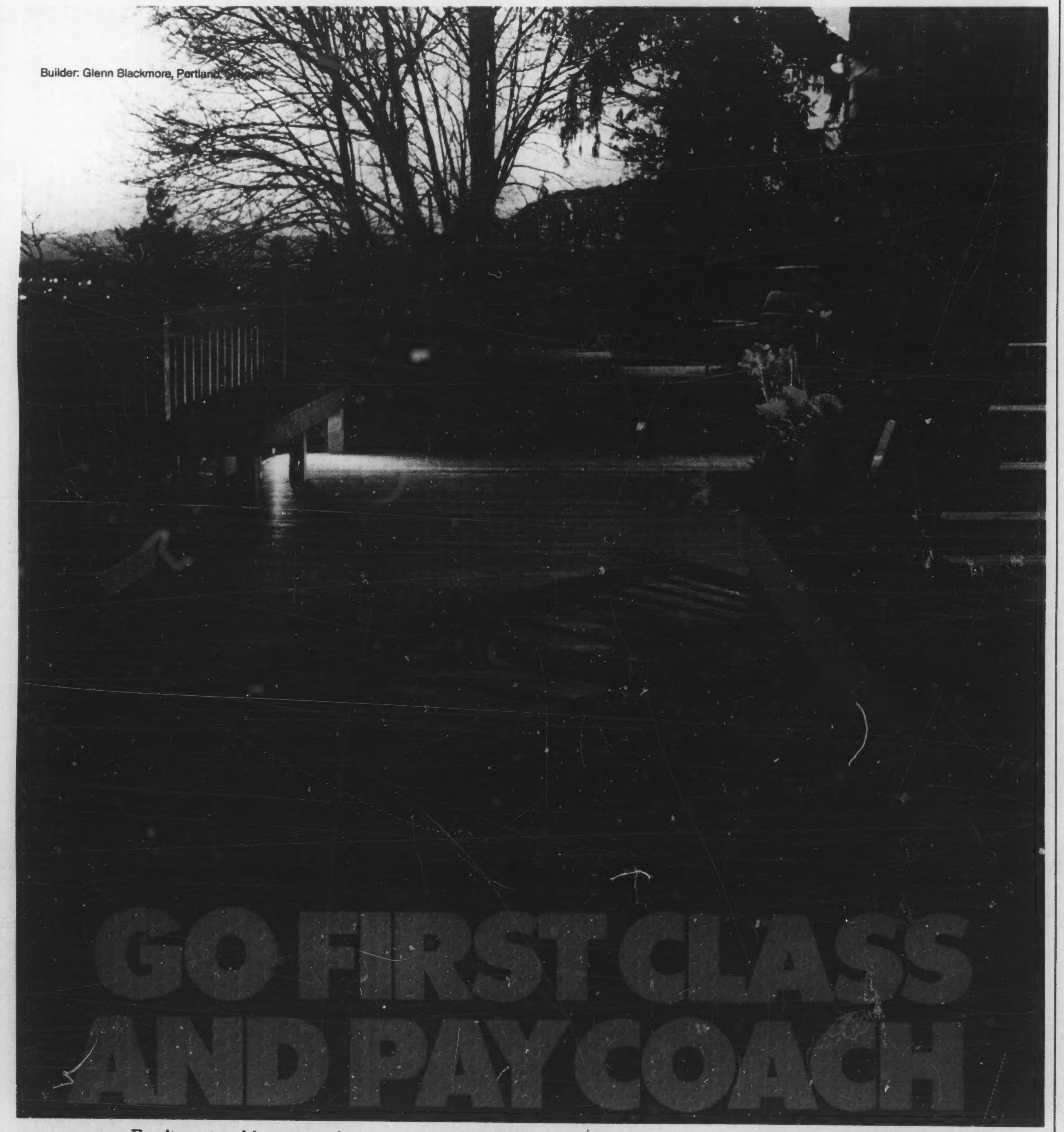
Another development in the fertilizer category is the emergence of liquid products that are premixed and have applicators that attach directly to the garden hose.

These "user-friendly" fertilizers were first seen at last year's Hardware Show in Chicago, and are packaged in single-application units. Rather than taking market share away from standard fertilizers, these products, according to retailers, are broadening the market.

One lawn and garden buyer explained that the consumer who buys the easy-to-use liquid product is generally buying fertilizer for the first time as an alternative to either not fertilizing at all, or having his lawn serviced professionally.

Gas grills were another category that sparked sales last year and should continue to grow in 1988. Arthur Seeds, president of the Barbeque Industry Association, attributed the healthy grill sales to an increase in disposable spending coupled with the growing number of 25- to-44-year-olds, the demographic group most likely to purchase grills.

One retailer noted that his store was selling 50 times more gas grills than charcoal. This trend was evident in other stores as well, where consumers were trading up to more durable gas grills, at higher price points.



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Outdoor equipment sales boom as consumers do own yard work

Americans are spending more time in their yards and close to three out of every five homeowners—about 53 million—do their own lawn care.

The 1987-1988 National Gardening Survey, assembled by the National Gardening Association in Burlington, Vt., also states that one-third of these homeowners do shrub care, and about one-quarter—or 21 million households—do landscaping, up by one million.

What's more, retail sales were up in most of the categories surveyed in 1987, with the highest increases coming from those that include outdoor power equipment: lawn care rose 26 percent to $5.45 billion and landscaping was up 34 percent to $2.9 billion.

For outdoor-power-equipment manufacturers, this means adapting products to attract today's consumer. One trend in lawn and garden care is that it is no longer a man's job. Women are buying homes and therefore buying lawn mowers. Also, as the population ages, homeowners over 50 are less likely to give up the chore and will seek out tools that let them continue to do the job.

Manufacturers are addressing these new needs by emphasizing more efficient, lighter equipment with easier to start gas-powered engines as well as new lines of electric models.

One manufacturer has improved its use of plastics and metal alloys in order to reduce the weight of its machines without compromising durability. It has also refined its engine, which is guaranteed to start by the second pull.

Lawn mowers and snowthrowers have been strong growth items in the outdoor power equipment category, although sales of snowthrowers appear to be near the market-saturation point. NHCN photos

New in the electric category are engines that have increased power that reaches efficiency near to that of gas-powered engines. The electric lawn mowers are maintenence free, long lasting, and generally less expensive.

Imported overhead valve engines continue to proliferate, but one shift is that U.S. manufacturers, such as Briggs and Stratton and Tecumseh, are now producing comparable products domestically. It is this type of engine that promotes the easy-start capability.

For non-sunbelt retailers, snowthrowers have remained a viable seasonal product. According to the Outdoor Power Equipment Institute (OPEI), shipments for the year ended in March were a mere 1 percent lower than the previous year, which was attributed to business stabilizing.

However, the saturation level in the category has nearly been reached, according to a marketing director at Toro, the Minnesota-based supplier. He added that snowthrowers are being built better and therefore lasting longer. "Consumers are not trading up as often."

One incentive manufacturers are offering to retailers is carryover risk protection. Since the only business guaranteed is preseason sales, many manufacturers have agreed to take the interest burden off retailers on a given number of machines not sold by season's end. This has been successful in reducing the dealer's resistance to buy.

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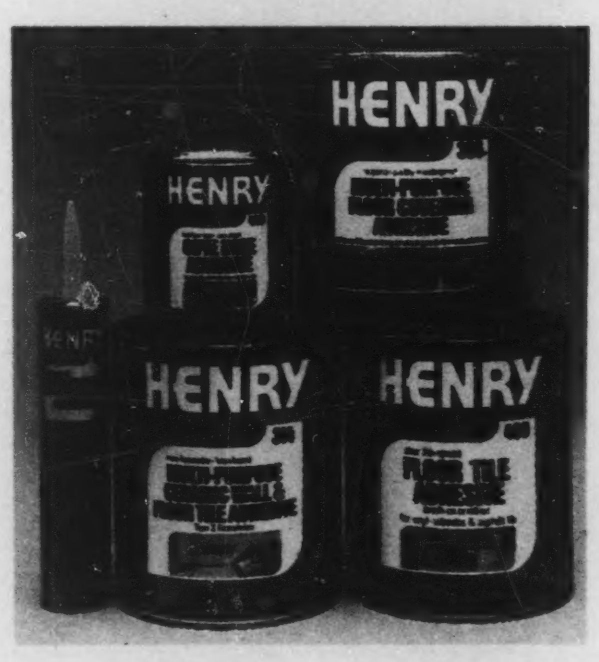

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Takeover activity runs rampant in West as profitability drives '87

By an NHCN staff editor

LOS ANGELES — Profitability was the password for many West Coast-based home centers in 1987.

Companies ranging from National Lumber in California to City Mill in Hawaii all improved their earnings last year, and the general trend in this region—possibly the most highly competitive in the country—was making money.

The market was also a hotbed of takeover activity. Standard Brands, struggling to be profitable, found itself to be a takeover target. Stanline, the building materials distributor, was taken over by the voracious Bunzl USA. Commodore Vanities was bought by PermaBilt. Boise Cascade sold off its remaining 19 building materials stores to their management, which is now seeking other acquisition opportunities. Dixieline in San Diego nearly doubled its store size to nine units by picking up some stores from the defunct Handyman operation. And Sequoia Supply, another commodities distributor with 33 warehouses, was sold by Wickes Cos. to Sequoia's management.

And perhaps the most noteworthy—or notorious—takeover battle went on in Seattle, where Pay 'N Pak's management was able to thwart the attempt by Florida investor Paul Bilzerian to seize the 100-unit chain. Pay 'N Pak's managers last month finalized their own leveraged buyout of the company.

As the West Coast market danced this takeover two-step, most companies remained undistracted from the singular goal of turning a profit. And, in most cases, they succeeded.

> “The highlight of last year was making more money with the market being 50 percent off.”
>
> —**Jim Beardall,** *president, Anderson Lumber*

“The highlight of last year was making more money with the market being 50 percent off,” said Jim Beardall, president of Anderson Lumber, the 22-unit chain based in Ogden, Utah.

Among the region's largest chains, Pay 'N Pak, National Lumber, HomeClub, Copeland Lumber, Ernst Home & Nursery and The Home Depot all saw higher earnings. “We reversed some of the trends we were stuck in,” noted V.J. Carnval, the chief financial officer for 20-unit National, based in Fountain Valley, Calif., which incurred some losses in 1986. “The six or seven new stores the rest of the chain was carrying in 1985 are now making money.”

Considering how much big-chain competition there is in the West, the big surprise was the extent that independents were profitable in 1987. For example City Mill, the five-unit chain based in Honolulu, had a 30 percent increase in profits, according to its president David Ai.

“It was our best year, profitwise,” added Peter Ganahl, president of the three-store Ganahl Lumber in Anaheim, Calif. And Len Rosenfield, director of advertising for the single-unit All American Home Center in Downey, Calif., was also pleased. “We didn't reach all our goals, but 1987 was a very strong, very profitable year.”

Not everybody shared the wealth, however. O'Malley Lumber in Phoenix continued to grapple with competition from Payless Cashways and Home Depot. It closed three stores last year, and its upper management at times resembled a revolving door.

Phoenix was also a tough market for Ray Lumber, the independent that closed two of its stores, and currently has its third on the block.

On the specialty front, the $305 million, 134-unit Standard Brands continued to see its gross margins dip, and suffered a 64 percent decline in earnings to $5.4 million. On top of this, the company is being pursued by Entregrowth International.

Not everyone was obsessed with takeovers and unit growth, though. Ernst, based in Seattle, kicked off what will be a complete remodeling program for all 70 of its stores. Neiman Reed Lumber City, the 10-unit chain in Van Nuys, Calif., upgraded merchandise in virtually all product categories.

However, given the competitiveness of the Western market, one can anticipate more takeover and growth activity, as typified by a statement made last month by Steve Pearson, a partner in BMC West which acquired the Boise Cascade units. “We're looking to grow by acquisition in 1988.”

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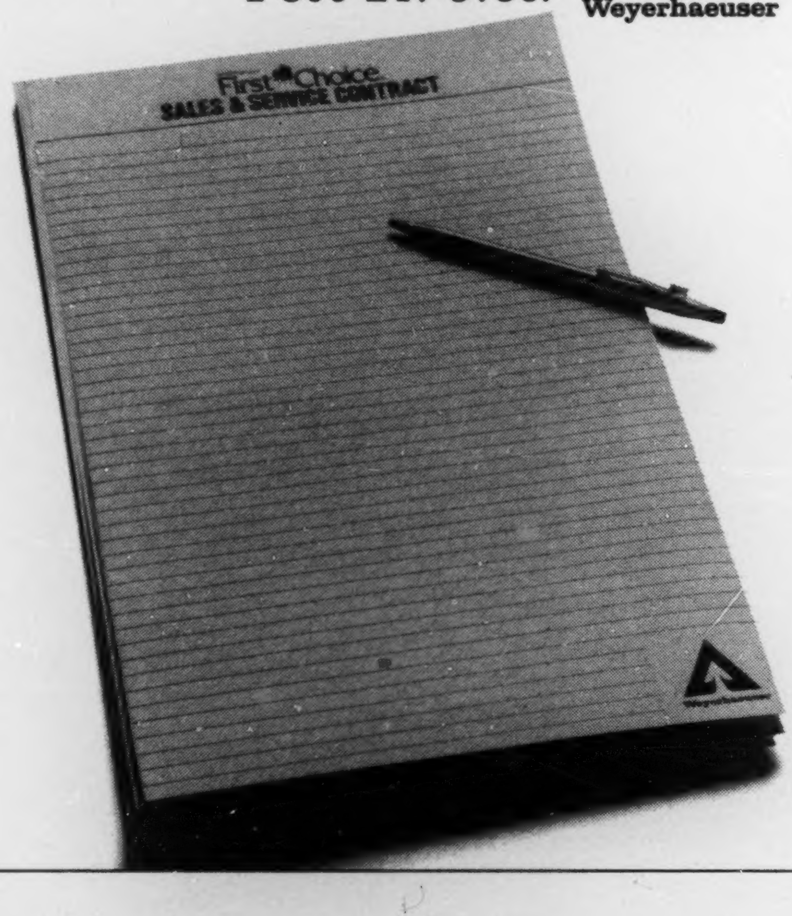

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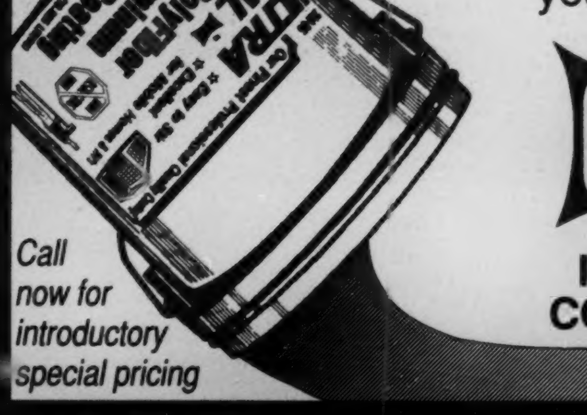

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Retailers in Oil Patch viewed 1987 as transition year

By an NHCN staff editor

SAN ANTONIO, Texas — Housing starts, home resales activity and retail sales in the Oil Patch remained uninspiring in 1987. But home improvement dealers operating in Texas, at least, report that they are not too worried about those numbers anymore.

That's because these lumber and building material retailers became infected with the giddy belief that 1987 was a transition year from bad times to good.

And indeed, this state saw a tremendous amount of activity to support this. Home Depot's stores in Houston turned a profit for the first time in 1987; Westlake Hardware is using the Lone Star Hardware subsidiary it started last year in San Antonio as a launching pad for its expansion; Channel remodeled nearly all its Texas—and, for that matter, Southeastern—Handy Dan units and opened a new distribution center in Houston.

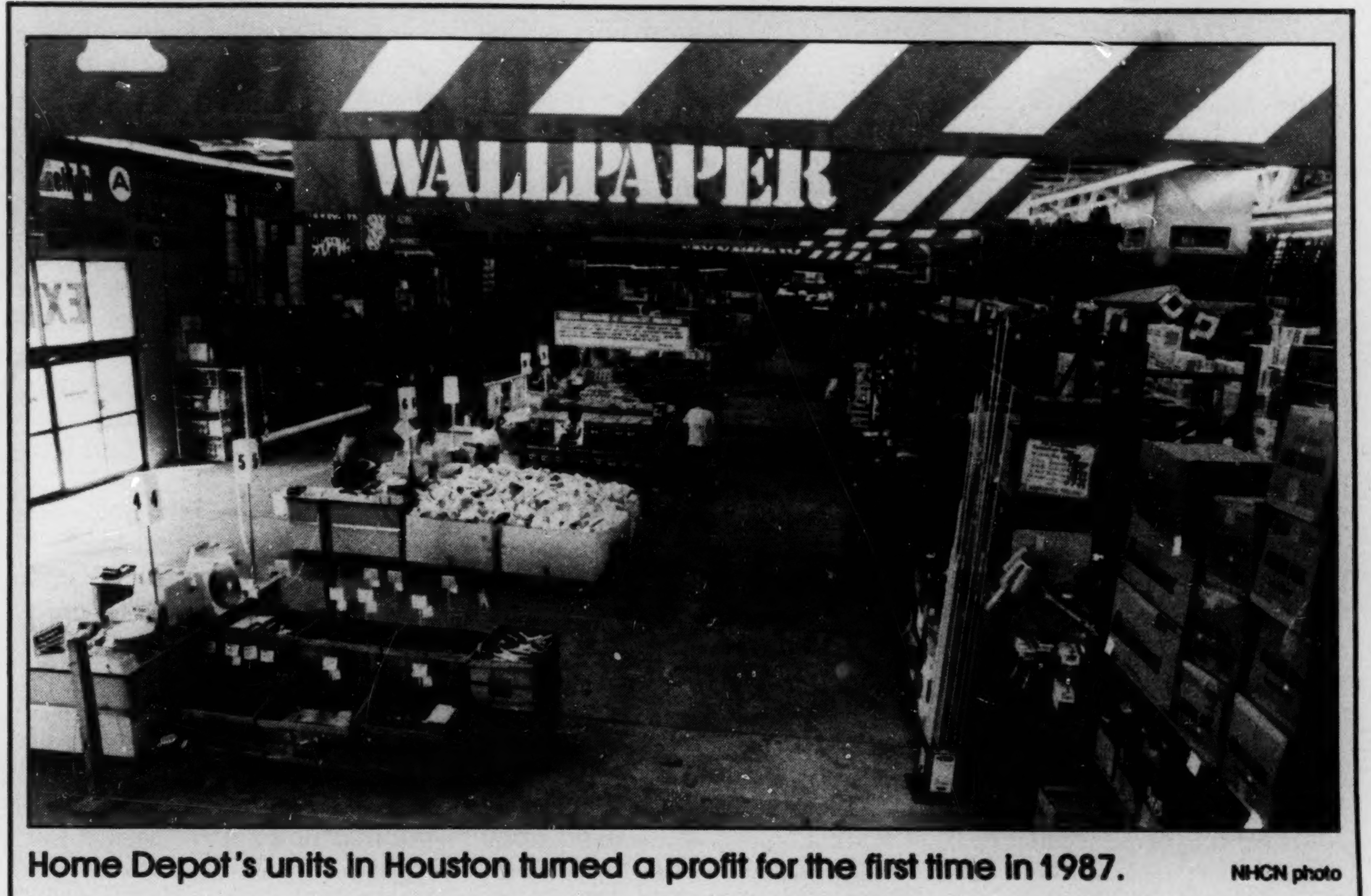
Despite all its difficulties, the Lone Star State is second only to California in the amount of lumber and building material retail sales, generating $7.2 billion in 1987, according to *Editor and Publisher*.

This good feeling about the future was very apparent at the Lumbermen's Association of Texas' 102nd Annual Convention here last month. While few retailers were able to point to sales gains and some admitted to shuttering stores, most expressed the opinion that 1987 was an improvement over a depressing 1986.

Some think the trend will continue, most prominently among them was Don Reynolds, a University of Texas economic "futurist" who lifted the mood of the dealers with a rousing sermon on the good times to come.

Reynolds warned the dealers not to tie their fates to oil, however. He said Texas' well-being will never depend on oil again, but is more related to the diversification in the state's business sector and the infusion of foreign capital into the state.

What may have been especially stirring was Reynolds' assessment that the United States, and Texas in particular, have not yet reached their housing peak. Reynolds said a growing trend in the nation's demographics is that of aging baby boomers who are trading up to larger homes with more gadgets. As the trend continues, the nation and Texas will reap the rewards of increased industry activity from vigorous construction.



Home Depot's units in Houston turned a profit for the first time in 1987. NHCN photo

It might be hard, however, for retailers in Austin, Texas, to believe that. Not only did independent dealers continue to slide into bankruptcy or vanish altogether, but some old competitors, such as Stripling-Blake and Calcasieu, experienced hefty sales declines. Despite the plummet, both companies' executives were somewhat upbeat about 1988 and beyond.

Some dealers, though, hedged their bets. McCoy's, based in San Marcos, Texas, sought to improve its activities by expanding into neighboring Arkansas for the first time.

Building boom in Florida drives Southeast prosperity

By an NHCN staff editor

MIAMI — In the Southeast, Florida continues to enjoy a building boom. And home center chains there continue to prosper. Contractor-oriented independents also thrived, but as with anywhere else, smaller hardware stores were being edged out of business.

Alabama, which once relied on steel and oil to grease its palm, has realized it must turn to other venues. Thanks to a revamped Chamber of Commerce, the economy is bouncing back. Billboards in Manhattan and Chicago state: "Alabama is open for business," and the business people down there are smiling with welcome.

And Nashville, Tenn., is blossoming with promise.

February 1987 brought a rise in housing starts and resales in Florida, which was predicted to spur a 14 percent increase in building materials sales throughout the year. The state economy continues to grow at a faster pace than the nation. Part of this is attributed to the state's high rate of immigration. The rapid growth of tourism and an increase in federal defense spending continue to feed the economy.

A cloud that passed over the state as quickly as it descended was the Florida ad tax which proposed a 5 percent surcharge on all advertising placed in the state. While retailers conceded that they would probably cut ad budgets by 5 percent to compensate, manufacturers considered a statewide boycott. Governor Bob Martinez quickly realized his error, and the tax was promptly repealed.

In Birmingham, Alabama, Moore-Handley's cost cutting procedures spurred expansion plans. Although the wholesaler acknowledged it still needs a higher net income, it is planning for it with a $5 million expansion of its warehouse in Pelham, Ala.

A naval base in Mobile, Ala., is expected to result in growth—an expectation recognized by Scotty's and Lowe's, which built new stores there. According to Bob Fant, Scotty's spokesman, Mobile was the next logical extension adjacent to its existing market of Pensacola, Fla.

Nashville, Tenn., the country music capital, also featured the sound of cash registers ringing at home centers. When other parts of the Southeast took a turn, Nashville became the magnet attracting opportunity seekers. It is considered a desirable place to live, with a good climate and a sound economic base spread equally among insurance, healthcare, banking, printing and entertainment. Nissan moved into town with a manufacturing facility, and General Motors had plans to build a plant nearby.

Central Hardware and Payless Cashways took advantage of an economy on the rise.

The grass certainly looks greener in the Sunbelt, and an emphasis is placed on lawn and garden. In Louisville, Ky., the Lawn and Garden Expo had record attendance, and dealers were motivated by the report there of the robust condition of the lawn mower market.

Outdoor power equipment is a growing category for sunbelt retailers, and lawn and garden remains profitable year-round.

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Mild weather helps boost Midwest dealers' 1987 sales

By an NHCN staff editor

CHICAGO — Midwest home center retailers, flush with "year-round" sales from milder than usual weather, maintained strong business throughout 1987. Among those firms on this year's *NHCN* top home improvement companies list, Midwest-based chains and independents averaged a 9.52 percent sales gain over 1986.

Particularly strong were the Eau Claire, Wis.-based Menard Cashway and Saginaw, Mich.-based Wolohan Lumber, whose stores saw extraordinary sales increases. And Wolohan's net income skyrocketed 70 percent to $9 million.

With the farm crisis starting to wane, the major Midwest news concerned the industry's major acquisitions.

The biggest move came from Westlake Hardware, Lenexa, Kan., which started the year as a 41-unit chain and grew to a total of 69. Westlake opened its expansion drive with the name of Lone Star Hardware, its San Antonio, Texas-based subsidiary. Under the leadership of Daryl Lansdale, former head of W.R. Grace's home center central division operations, Lone Star picked up a total of seven units in Texas and New Mexico from the Wickes Companies.

Then, in September, Westlake purchased the 21-unit, Florida-based Lindsley Home Care chain from Asset Holding Co. Asset Holding was one entity remaining from the Evans Products bankruptcy reorganization in 1986.

Both the new Southwest and Florida units were renamed Westlake Hardware.

In January, Illinois-based Handy Andy made its acquisition of the 18-unit Forest City chain; the buy moved Handy Andy into Detroit, Cleveland and Akron, Ohio.

The seismic shock heard round the Midwest, though, was from Wickes Cos., which announced in December that it intended to sell off its entire 225-unit Wickes Lumber chain, which has stores dotted throughout this region.

Last month, the chain's management signed a definitive agreement to purchase the company for $290 million in cash and $30 million in notes.

The Midwest also saw more of Builders Square last year, which moved into a number of markets for the first time with warehouse stores. While Builders Square was expanding, Payless Cashways, the Kansas City, Mo.-based operator, was probably wishing more of its units were in the Midwest. The chain got clobbered in the Oil Patch last year, and saw its net income decline 33 percent (2 percent, discounting a huge charge the company took in the fourth quarter).

Last month, Payless announced a number of bold steps that would differentiate its stores from warehouse competition, and place more emphasis on promotional sales and less on everyday low pricing. Payless, one of the industry's biggest TV spenders, will be cutting back its TV ad budget, too, in favor of more ROP ads.

While the threat of a drop in housing starts loomed in many areas, permits for single-family homes stayed strong in major metro areas like Chicago, Kansas City, Mo., and Minneapolis. Chicago reached its highest single-family permit volume since 1978 while permits for multifamily dropped 28 percent.

Other area news included Aco Hardware, the Michigan convenience hardware chain of 63 stores, setting a hardware industry record in April by opening six units on the same day. Sawhorse Home Centers, the newest retail permutation of Chicago's Gee Lumber family, debuted with four units north and west of the city, headed by Jim Gee Jr.

And Bunzl Building Materials Service (BBMS), Indianapolis, continued it acquisition growth by picking up EESCO, a Chicago electrical distributor with an interest in robotics.

Wolohan Lumber's net income skyrocketed 70 percent in 1987 to $9 million. Pictured is the chain's Saginaw, Mich., unit.

NHCN photo

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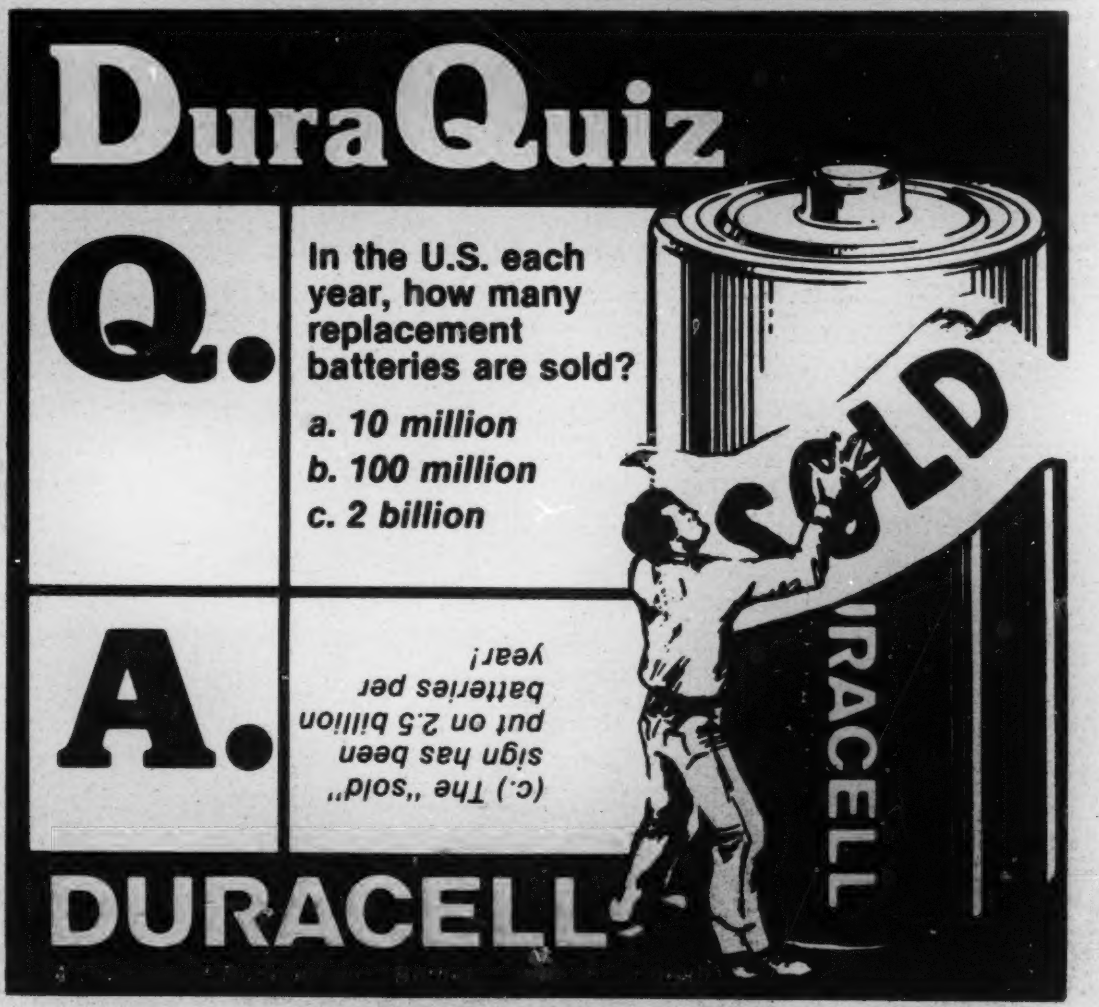

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c. 2 billion

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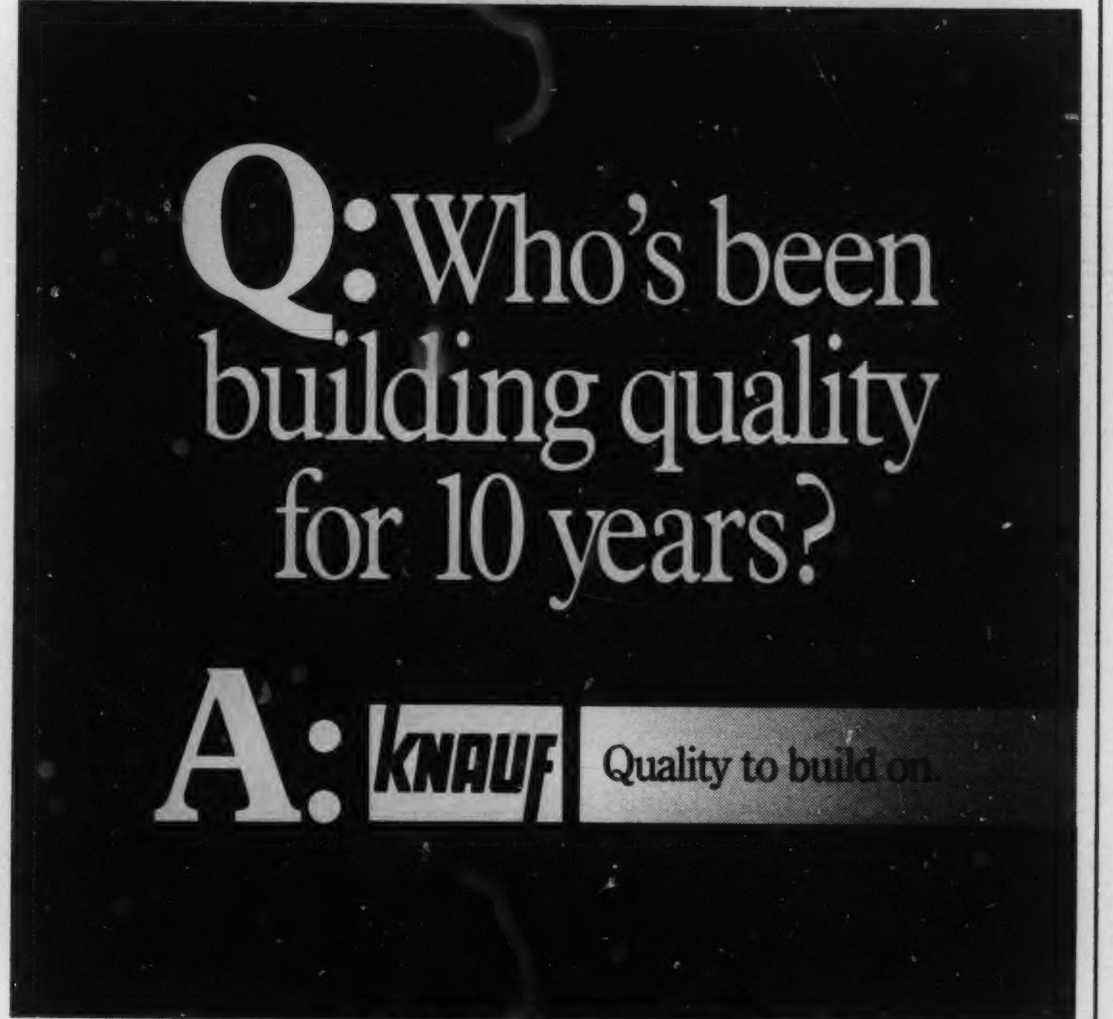
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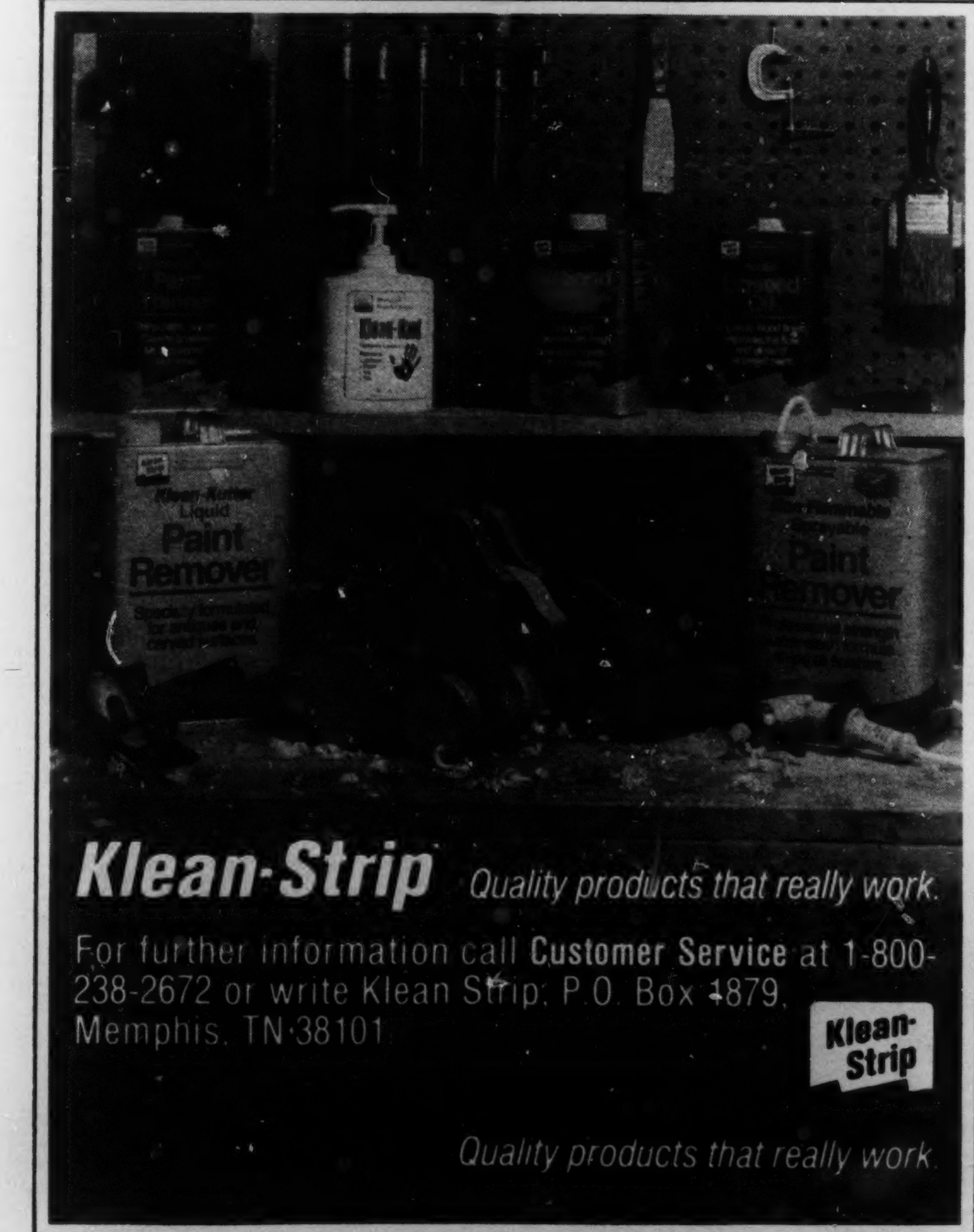

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Perspectives annual census/hardlines

Strong sales gains in N.Y. region due to booming housing market

By an NHCN staff editor

NEW YORK — Expansion, increased sales and greater competition marked the year for retailers based in New York, New Jersey and Pennsylvania.

Among *NHCN's* top 180 retailers, Pennsylvania-based merchants led in sales gains, with an average 24 percent increase.

Chains with New York-state headquarters followed with an average 13.7 percent gain.

In New Jersey, the average gain was 13.3 percent, despite flat sales at Channel, the 170-store chain based in Whippany, N.J. Also in New Jersey was Dillistin Lumber, the Paterson independent lumberyard that perservered despite having been torched by arsonists twice. Company officials were determined to rebuild and not be driven out.

In all three states, retailers attributed the gains to strong housing markets, a remodeling boom and an interest among consumers in upscale, higher-margin goods.

Melville, N.Y.-based Pergament responded to competition with a 150,000-square-foot unit in Bethpage, N.Y.

NHCN photo

While the booming market meant increased sales, it also meant stiffer competition and retailers scrambled to renovate, expand and upgrade.

Competition was especially strong on Long Island, N.Y. Both Hechinger and Mr. Goodbuys announced plans to open stores there. Hechinger also moved into Deptford, N.J., a Philadelphia suburb.

Melville, N.Y.-based Pergament responded with a 150,000-square-foot unit in Bethpage, N.Y., that featured linens, Oriental rugs and bedding. It was one of five stores that Pergament announced it would open.

Mr. Goodbuys, based in Philadelphia, also strengthened its already strong focus on home decor. The company

(Continued on page 49)

Rocky Mountain retailers rely on remodeling to make profit

By an NHCN staff editor

DENVER — With an economy based on four devalued commodities—cattle, wheat, coal and oil—home center operators in the Rocky Mountain states have learned to profit from remodeling, rather than home building.

Times could take a turn for the better, however, with cattle and grain prices beginning to rebound in this sparsely populated region, said L.R. Aldrich Jr., president of the eight-store Aldrich & Co. chain headquartered in Billings, Mont.

"Two of our four legs are back," Aldrich said of farm prices. "With all four pulled out from under you, you've got a hell of a problem."

Depressed energy prices continue to worry residents of the region, Aldrich said.

"If we could get back up to $25 a barrel, we won't be in Fat City but people will be able to make a living," he said.

Emery Matsko, president of the one-unit Poulsen's in Great Falls, Mont., said his area's economic suffering was not limited to declining farm and energy prices.

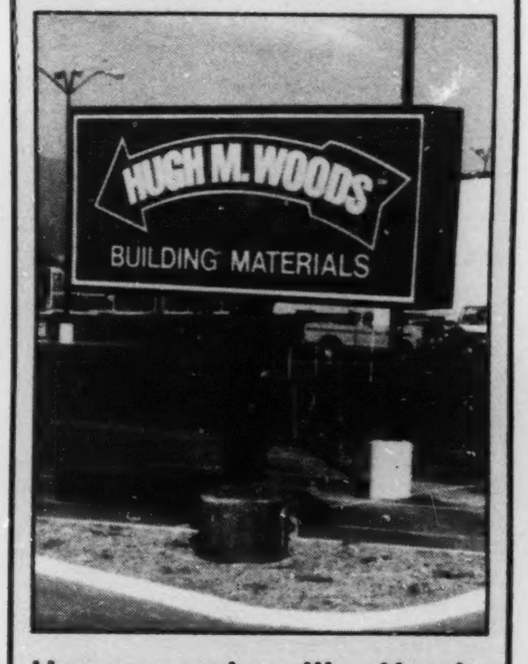
"We got hit really bad all at once," Matsko said, listing such woes as drought, the closing of a smelter and the loss of an Air Force fighter wing.

Population in Great Falls dropped from 72,000 in 1978 to 60,000 today, he said.

At Crissey-Fowler Lumber, a big one-store operation in Colorado Springs, Colo., sales have remained stagnant, reaching $34 million in 1985, dipping by a million dollars the next year, and edging back to $34 million last year.

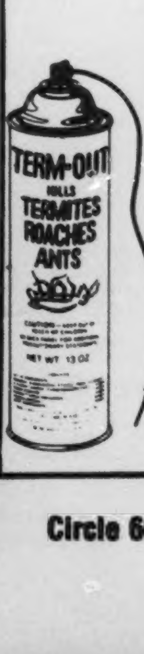
Elsewhere in the region, Lyle Blue, vp for Bloedorn Lumber Co., an 18-store chain

(Continued on page 49)



Home centers like Hugh. M. Woods, Littleton, Colo., profit from remodeling sales.

NHCN photo



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N.Y.-region retailers scramble to fight stiff competition

(Continued from page 48)

opened a prototype store in Lodi, N.J.

The Lodi store was one of six that Goodbuys planned to add by the end of the year. The others were slated for Wilmington, Del.; Baltimore; Bucks County, Pa.; and Farmingdale and Westbury on New York's Long Island.

Also in Pennsylvania, M.L. Claster & Sons readied a renovation and expansion plan estimated to cost an average $2 million per store. Company president J.B. Claster said each of its 11 units, which average 7,000 square feet, would be expanded by 30,000 square feet or replaced.

Said Claster: "We need more space to sell more things. Our stores are not adequate to meet our needs right now."

> Among *NHCN's* top 180 retailers, Pennsylvania-based merchants led in sales gains, with an average 24 percent increase.

Despite that, Claster's sales were up 18 percent between 1986 and 1987, from $33 million to $38.5 million.

Also showing a sales gain was 84 Lumber, the industry's seventh largest chain based in Eighty Four, Pa.

Sales were up 20 percent, from $683 million in 1986 to $821 million in 1987, largely because the chain refocused on contractor customers and de-emphasized DIY.

The Strober Organization, in Brooklyn, N.Y., had perhaps one of the most tumultuous years. It purchased General Building Supply, a regional chain out of East Hartford, Conn.

But Strober's stock price ricocheted wildly following the Jan. 27, 1988, death of its ceo, Eric Strober, who plunged from the 22nd floor of a 26-story Manhattan office building on Jan. 27. The death is still under investigation by police.

The aftershock of the apparent suicide was an announcement by company officials that the chain might be for sale.

In upstate DeWitt, N.Y., Agway, based there, announced it wanted to build a consumer business in lawn and garden products. The chain, known for its farm products sales, plans to franchise lawn and garden centers, adding 100 units in the next five years.

Also upstate, in Buffalo, N.Y., Busy Beaver opened three units in May, featuring a kitchen and bath gallery that includes some working kitchens. The 9,000-square-foot areas are a major departure from the Pittsburgh-based chain's other units. Busy Beaver targeted Buffalo because of the number of older homes likely to be remodeled over the next few years.

On the flip side, chain managers lost out on their attempt to buy Busy Beaver from its parent, Cyclops, in a leveraged buyout. Financing for the LBO, scheduled for the end of the year, was impossible to get after the October stock market crash.

Supermarkets General, the parent of Rickel, was successful with its LBO, however.

The company went private to fend off a takeover by the Dart Group. Rickel president and ceo Chuck Davis was one of six senior managers who paid $1.5 billion for Supermarkets.

Rocky Mountain area sees some signs of recovery

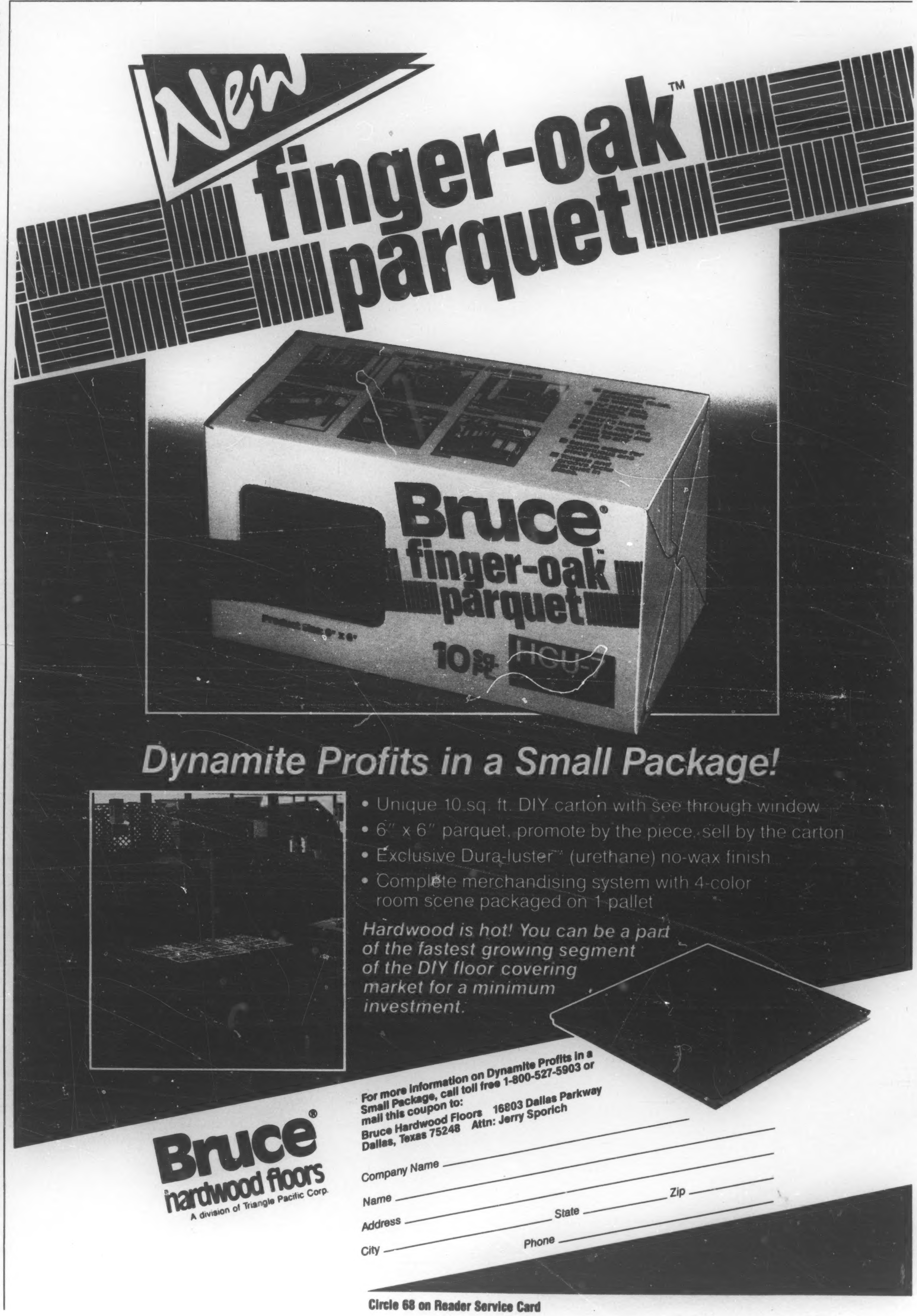
(Continued from page 48)

based in Torrington, Wyo., watched uranium mines close in recent years and saw banks fail due to bad farm loans.

"We're doing fine in that we're profitable," Blue said, "but it's not like the old days with plenty of home building."

According to the U.S. Commerce Department, housing starts declined in the region last year.

Starts dropped from 1,800 in 1986 to 1,500 last year in Montana. In Wyoming, starts declined from 1,200 in 1986 to 800 last year. Colorado starts dipped from 32,300 in 1986 to 19,400 last year.



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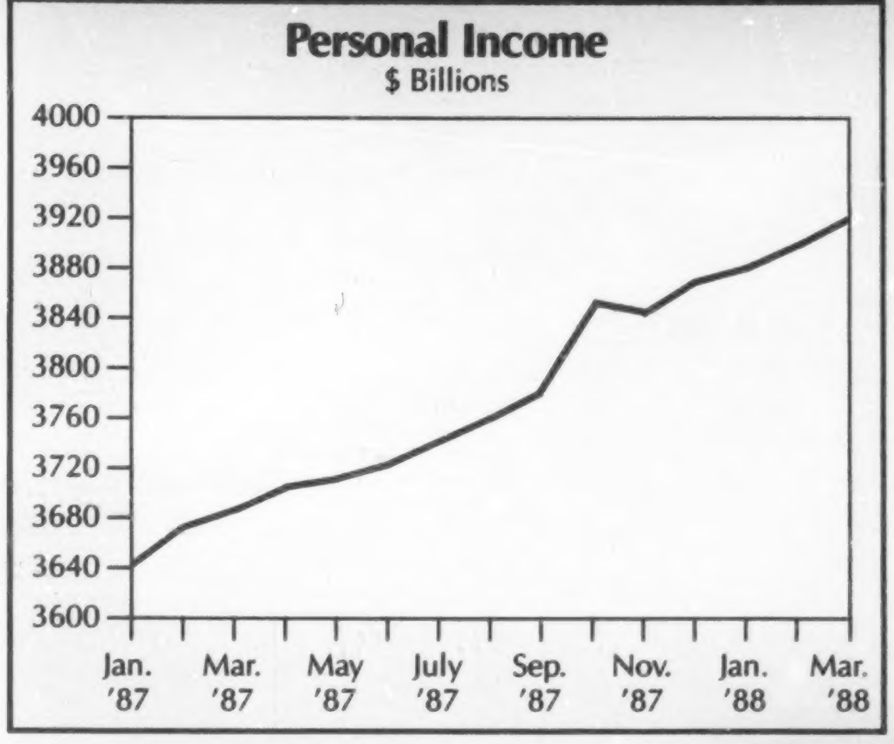
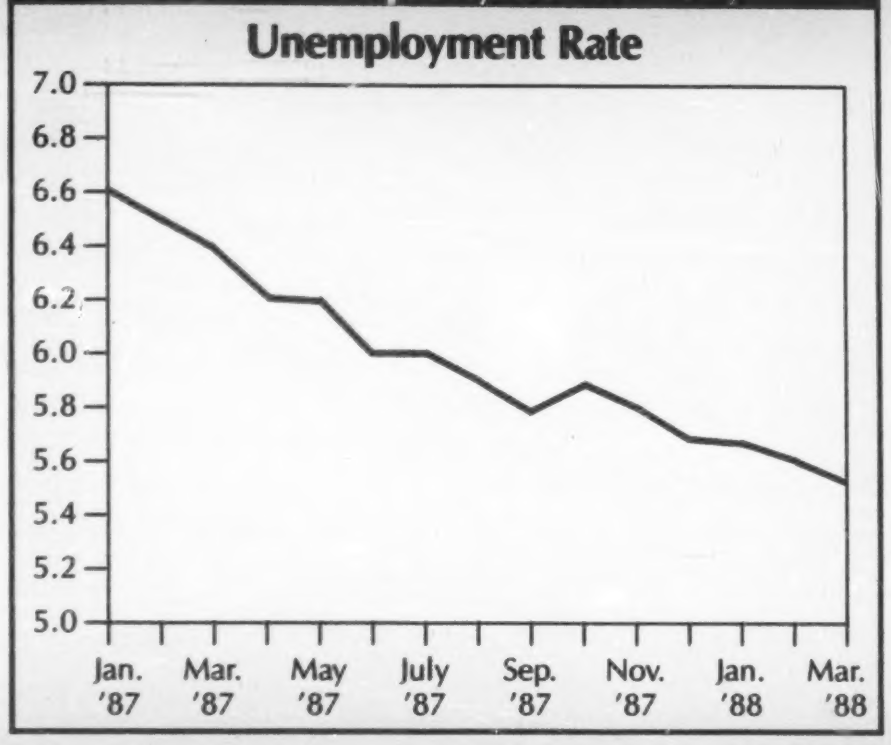
Business Watch

Section 4

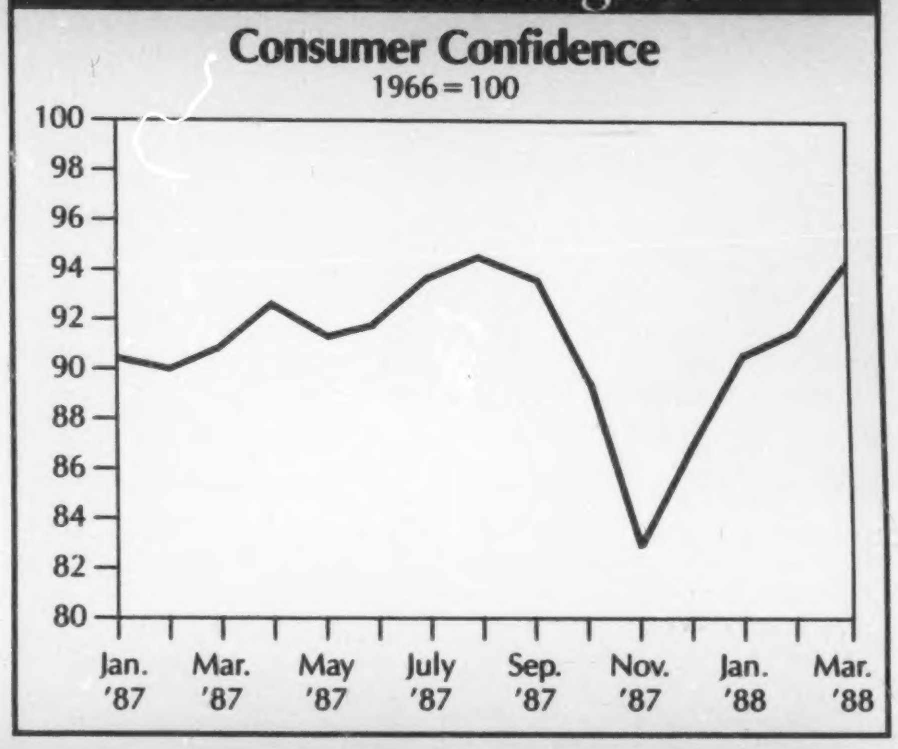
A rise in consumer income . . .


Personal Income
$ Billions

. . . and a drop in unemployment . . .


Unemployment Rate

. . . are pushing confidence higher


Consumer Confidence
1966=100

Consumers shrug off October's economic doom and gloom

By Richard E. Mount
Special to NHCN

The outlook for building material sales in 1988 has improved in recent weeks as the consumer has indicated that he will not be retrenching his spending patterns this year. The current outlook is now for a 5.1 percent rise in building material retail sales this year, up from a previous forecast of 4.6 percent. Adjusted for price increases, unit volume will be up 1.9 percent.

The consumer is the backbone of the economy, accounting for two-thirds of total demand. When consumer spending retrenches, the results run far and wide beyond retail sales into business-equipment spending, nonresidential construction and tax receipts.

Richard E. Mount

In the wake of the October fall in the stock market, consumer confidence fell 11 percent in two months. Real retail sales in the fourth quarter declined 0.4 percent after rising 0.5 percent in the third.

But consumers shrugged off the Wall Street doomsayers after the fall and concentrated on the fundamentals. One and a half million new jobs were added to the economy from November to March and the unemployment rate fell to 5.5 percent.

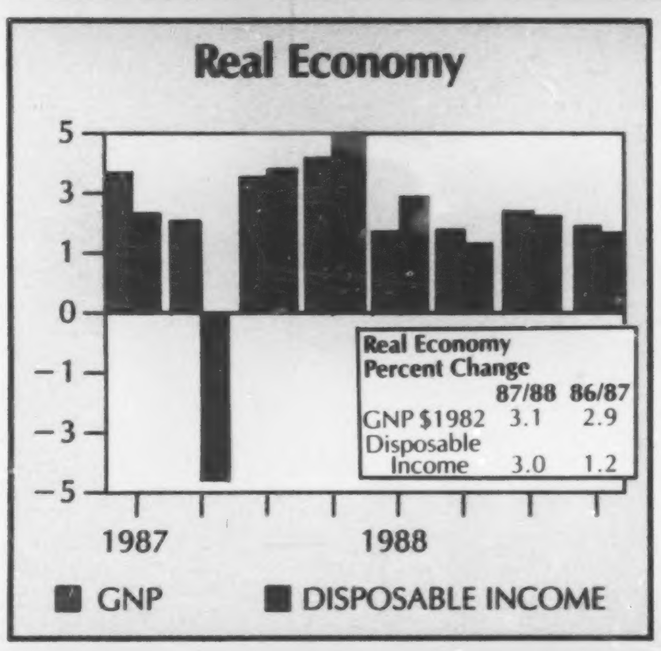
Consumer confidence rebounded 14 percent by March, higher than it was before the stock market correction. Consumers began to spend more in the first quarter, real retail sales were up 1.2 percent. The consumer was regaining momentum.

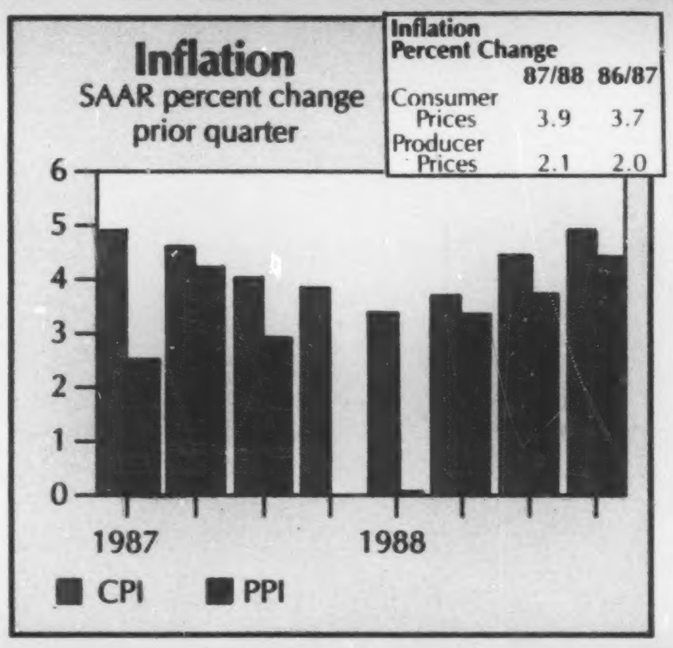
For building-material retailers, the improvement in consumer confidence should dispel fears of an imminent collapse in consumer spending.

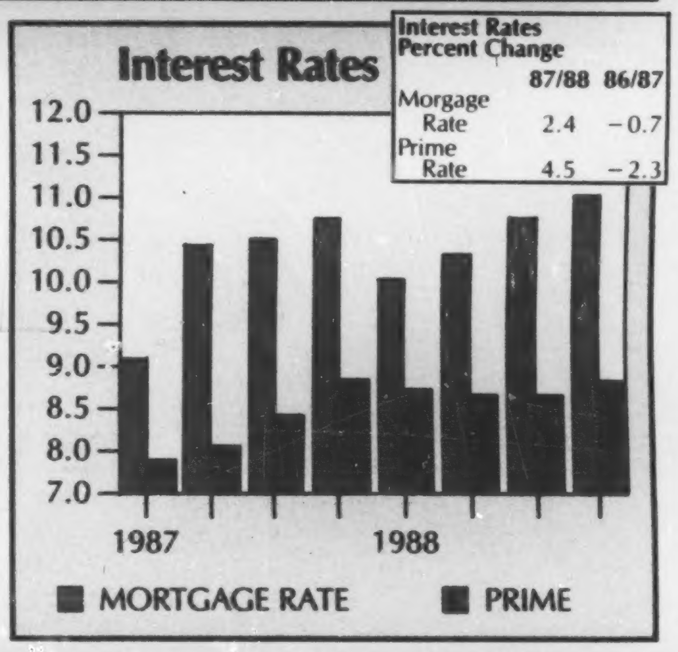
On the other hand, the rise in consumer confidence does not promise rapid gains in future retail sales. Housing and resales, which are major building-material markets, are headed lower this year and next because of overbuilding and rising interest rates.

Richard Mount is president and chief economist with Mount Economic Consulting.

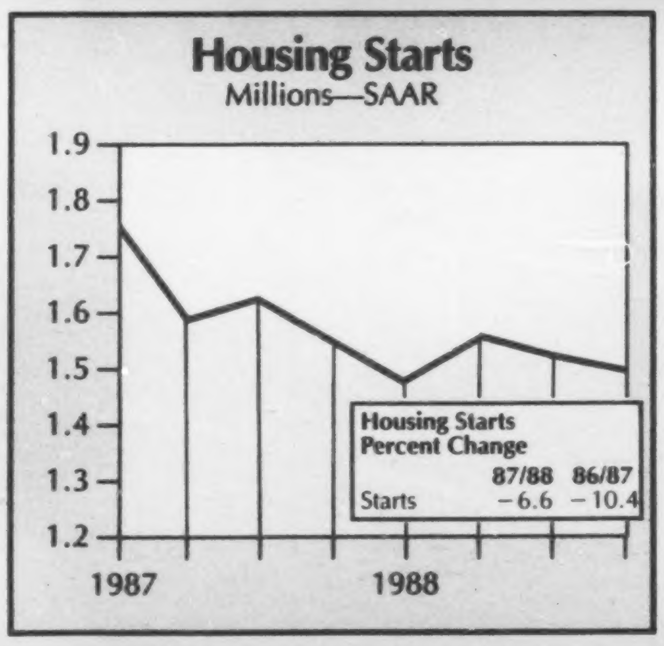
General Business Conditions

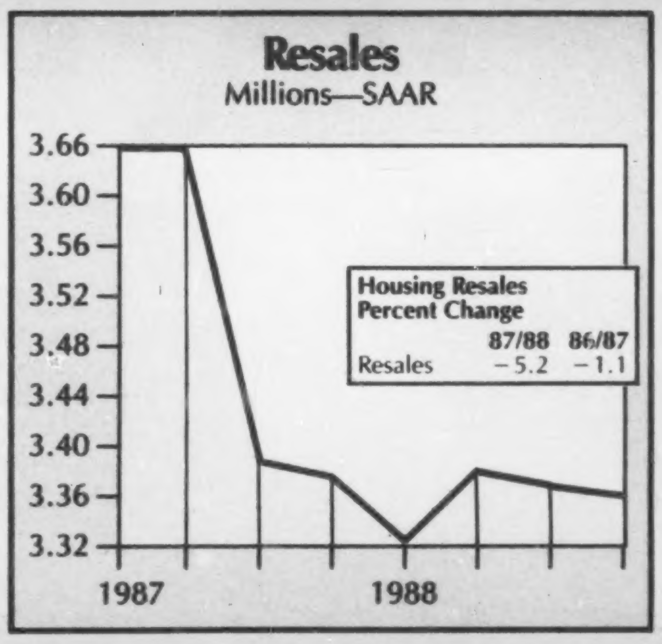

Real Economy

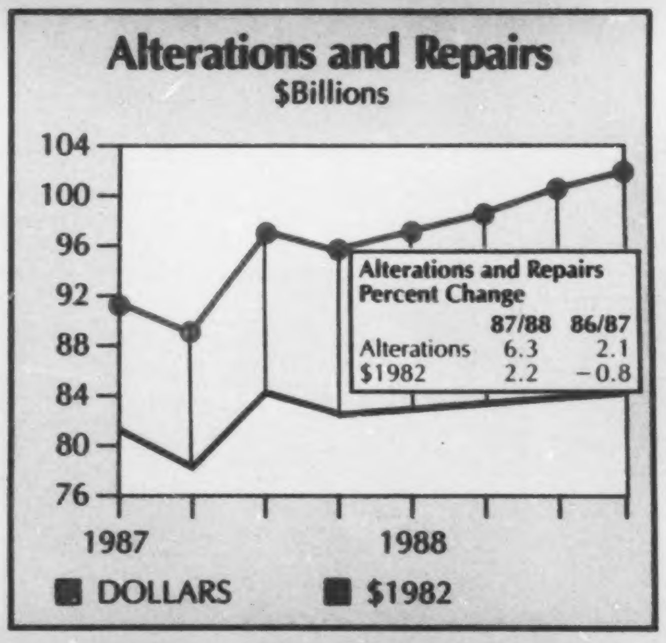

Inflation
SAAR percent change prior quarter


Interest Rates

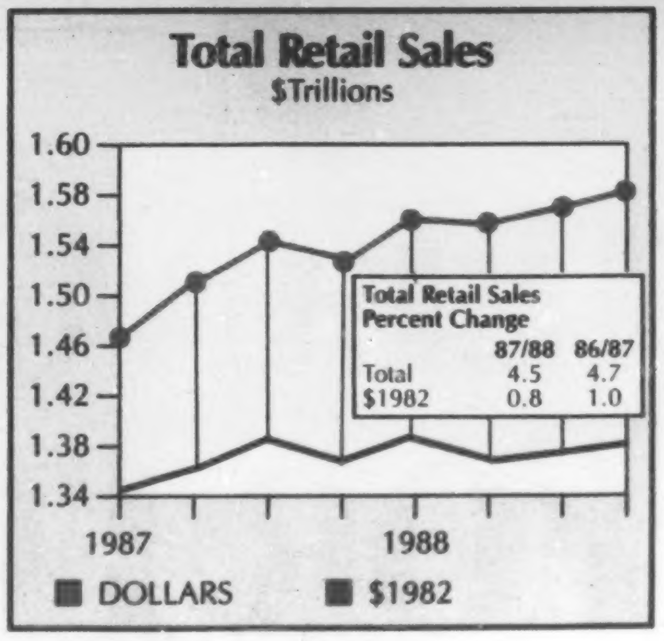
Housing

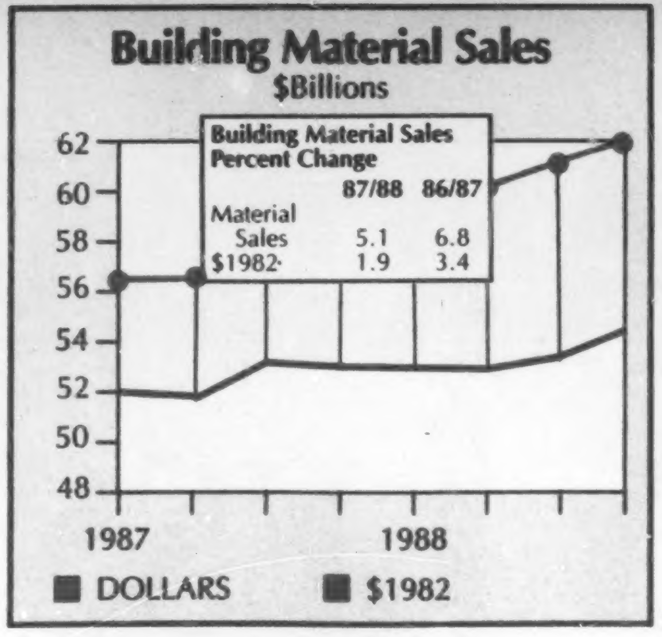

Housing Starts
Millions—SAAR

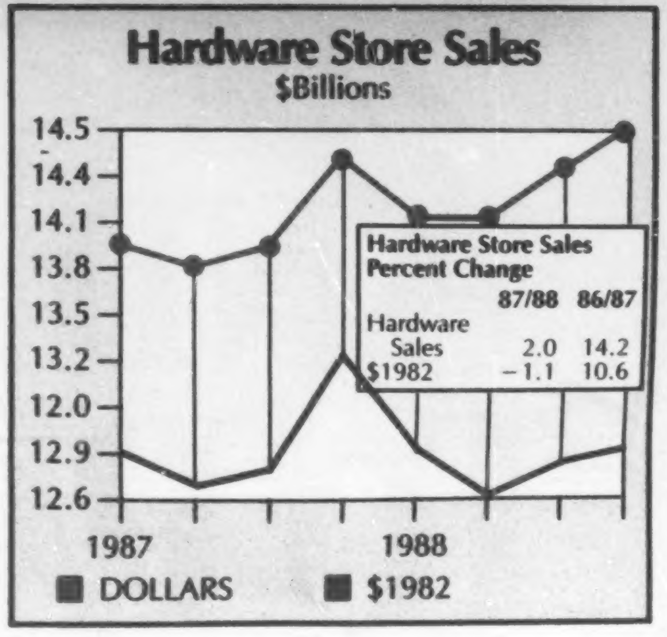

Resales
Millions—SAAR


Alterations and Repairs
$Billions

Retail Trade Activity


Total Retail Sales
$Trillions

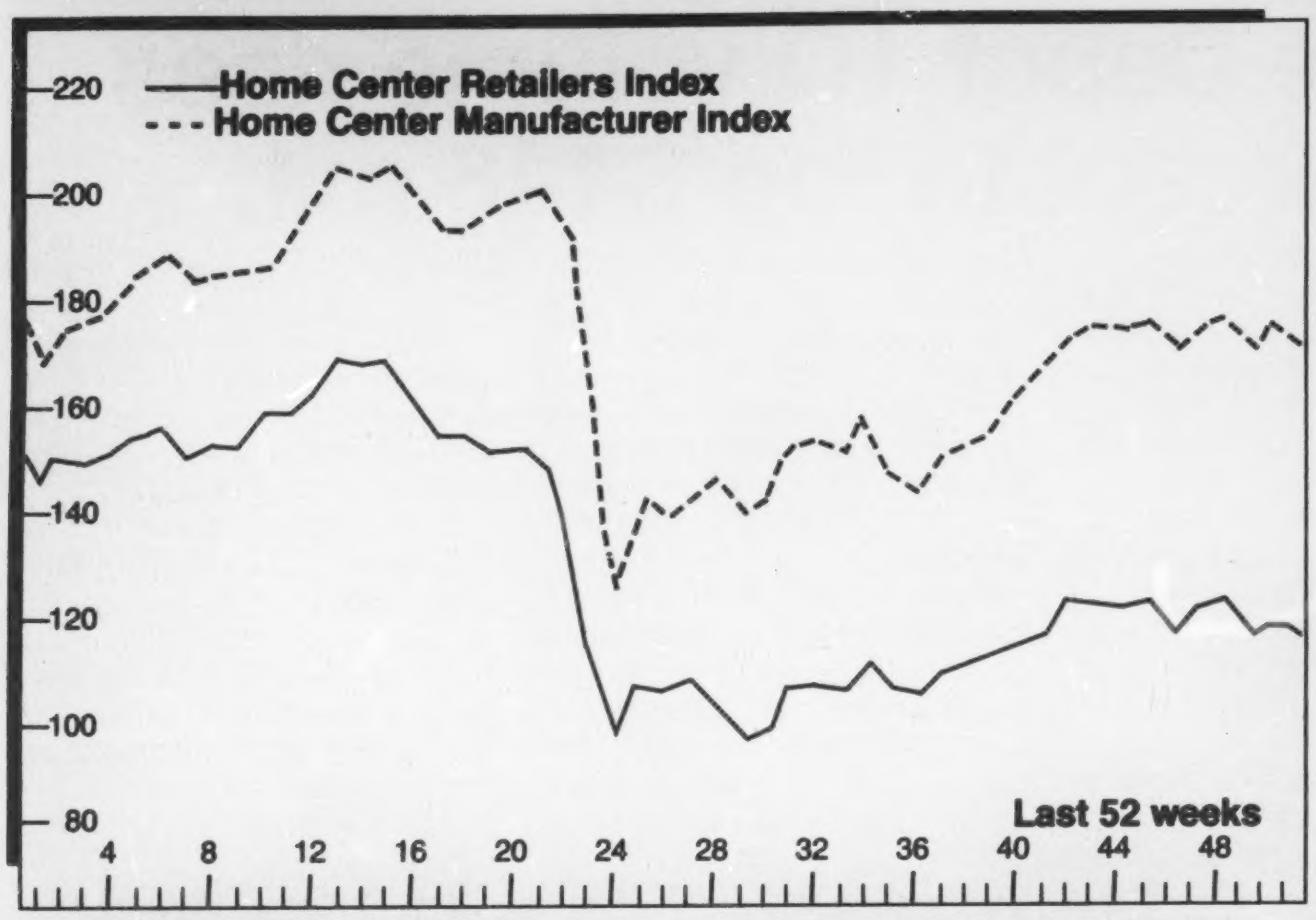

Building Material Sales
$Billions


Hardware Store Sales
$Billions

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on May 13, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Most stocks suffer decline

The downward spiral in the stock market has pulled down home improvement industry stocks with it. For the two-week period ended May 13, 34 of the stocks tracked for *NHCN* by Media General were off, with 13 gaining and 6 unchanged. Among publicly held retailers, General Building Products suffered the steepest decline, with its stock price being off 10.4 percent to $5.38 per share. Scotty's, the Winter Haven, Fla.-based chain, saw its stock price fall nearly 6 percent to $13.88. Conversely, Payless Cashways' stock rose 10 percent to $20.25 after rumors surfaced that corporate raider Asher Edelman had bought into the company.

Among wholesale distributors, Palmer G. Lewis' stock price jumped 8.8 percent to $9.25. But there were considerably more losers than winners among manufacturing companies during this period.

Nortek, the Providence, R.I., parent of such companies as Nautilus, Universal-Rundle and retailer Dixieline, incurred a 13 percent drop in its stock price to $7.50 per share.

Manville Corp. and Ply-Gem both had 11 percent declines in their share prices.

Among the few suppliers whose stock rose during this period were Mor-Flo, the water heater manufacturer, and USG Corp. The management of USG, the target of a hostile takeover by Desert Partners LP, apparently was victorious in thwarting its suitor through a restructuring plan that would pay off stockholders through the sale of its Masonite and Kinkead divisions.

Gainers 13

Unchanged 6

Losers 34

National Home Center News. HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume							Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E	Indicated Divd. Rate		New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	5-13-88	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods .... M	5.38	- .63	- 10.4	6.00	5.38	11.75	4.00	702	1.75	1.12	56.3	11.7	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc .... M	7.00	- .25	- 3.4	7.38	6.75	10.00	4.13	5,164	1.98	2.46	- 19.5	14.0	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A .... M	17.50	.25	1.4	17.50	16.75	26.50	14.25	6,962	6.37	3.66	74.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B .... M	17.25	.00	.0	17.50	16.75	26.75	15.50	493	.30	.34	- 11.8	14.7	.06	.3	.....	fiscal	01-88	171.5	22.2	10.8	24.1	.28	.0	725.1	23.2	40.0	41.3	1.17	27.2
Home Depot .... N	25.75	- .25	- 1.0	26.50	25.13	28.09	12.13	12,029	2.45	1.86	31.7	22.8	.08	.3	.....	fiscal	01-88	374.0	36.5	16.0	107.8	.32	77.8	1453.7	43.7	54.1	126.4	1.13	88.3
INTERCO Inc .... N	42.13	1.00	2.4	42.25	40.13	54.00	29.50	10,946	2.92	1.12	160.7	12.0	1.72	4.1	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp .... N	32.50	- 1.00	- 3.0	34.75	31.25	48.38	21.63	47,363	2.33	1.32	76.5	9.6	1.32	4.1	.....	fiscal	01-88	7755.0	11.8	321.0	6.8	1.58	6.0	25627.0	7.6	692.0	15.7	3.40	14.1
Lowe's Cos .... N	20.25	.25	1.3	20.75	20.00	29.38	15.25	7,612	1.92	.83	131.3	13.1	.44	2.2	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods .... M	5.25	- .25	- 4.5	5.75	5.25	9.25	3.75	106	.78	.55	41.8	8.3	.00	.0	.....	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber .... M	2.75	- .25	- 8.3	3.00	2.50	6.13	2.50	511	.91	.50	82.0	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash .... N	19.25	1.75	10.0	20.25	17.25	24.50	9.63	25,956	7.49	3.72	101.3	24.4	.16	.8	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc .... N	13.88	- .88	- 5.9	14.75	13.50	15.88	10.00	600	.41	.41	.0	17.6	.52	3.7	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck .... N	34.63	- 1.25	- 3.5	36.38	34.25	59.50	26.00	53,151	1.40	.91	53.8	8.5	2.00	5.8	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt .... N	12.63	- .75	- 5.6	14.13	12.13	31.88	10.63	1,378	1.23	1.12	9.8	36.1	.00	.0	.....	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz .... M	11.25	.25	2.3	11.50	10.75	13.75	6.25	344	.57	.66	- 13.6	12.9	.00	.0	.....	fiscal	12-87	26.4	9.5	1.0	- 16.7	.17	- 22.7	101.6	10.0	5.3	6.0	.87	- 10.3
Wickes Cos .... N	10.75	.13	1.2	10.75	10.00	25.00	7.25	9,680	2.02	1.58	27.8	14.0	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber .... M	14.88	- .38	- 2.5	15.75	14.50	18.75	8.75	1,134	1.93	1.55	24.5	9.7	.24	1.6	.....	fiscal	12-87	56.8	8.2	2.7	58.8	.46	58.6	228.6	17.6	9.0	69.8	1.53	70.0
Zayre Corp .... N	22.25	- .50	- 2.2	25.38	21.88	37.00	13.50	66,294	11.69	6.44	81.5	10.6	.40	1.8	.....	fiscal	01-88	1886.1	6.1	2.4	- 94.5	.07	- 90.4	6186.5	15.6	122.8	32.9	2.10	35.5
Wholesalers																													
Hughes Supply .... N	26.00	- 1.38	- 5.0	27.25	26.00	30.25	19.75	250	.75	.63	19.0	9.4	.44	1.7	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley .... M	4.00	.00	.0	4.75	4.00	9.25	3.75	21	.09	.24	- 62.5	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer .... M	9.25	.75	8.8	9.50	8.50	9.50	5.75	2,420	6.64	2.34	183.8	23.1	.28	3.0	NEW	fiscal	01-88	46.8	.0	.2	100.0	.04	100.0	216.6	15.7	1.6	23.1	.40	21.2
Manufacturers																													
Am Consum Prods .... M	13.75	.75	5.8	14.50	13.25	14.75	7.88	345	1.66	1.10	50.9	15.8	.00	.0	NEW	3 mos.	03-88	17.5	90.2	.4	33.3	.21	50.0	17.5	90.2	.4	33.3	.21	50.0
Am S[illegible]dard .... N	77.00	- .50	- .6	78.00	77.00	78.25	30.50	484	.16	5.10	- 96.9	18.3	1.80	2.3	NEW	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark .... M	9.25	.00	.0	9.38	9.25	15.50	6.50	80	.12	.38	- 68.4	10.8	.00	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.10	- 37.5	96.0	11.0	4.4	- 17.0	.64	- 19.0
Armstrng Wrld .... N	38.00	- .75	- 1.9	39.50	35.88	47.38	22.50	15,269	3.30	2.30	43.5	11.3	1.00	2.6	NEW	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker .... N	20.88	.13	.6	21.88	20.13	26.50	13.00	19.519	3.34	3.29	1.5	16.1	.40	1.9	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade .... N	44.00	- .75	- 1.7	46.25	42.50	51.16	28.81	10,304	2.28	1.47	55.1	10.0	1.20	2.7	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl .... N	33.75	.00	.0	34.63	33.00	44.63	21.75	29,319	3.09	1.96	57.7	7.5	1.00	3.0	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl .... M	4.75	- .25	- 5.0	5.00	4.63	18.25	4.75	446	.88	1.26	- 30.2	8.2	.00	.0	.....	3 mos.	12-87	23.7	45.4	.4	100.0	.08	60.0	23.7	45.4	.4	100.0	.08	60.0
Cooper Indus .... N	56.13	- 2.88	- 4.9	59.50	55.13	74.50	39.00	8,153	1.61	1.15	40.0	15.8	1.80	3.2	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc .... N	29.25	- .50	- 1.7	30.00	29.00	42.00	21.00	214	.54	.80	- 32.5	11.4	1.40	4.8	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp .... N	21.75	.25	1.2	22.25	20.50	26.63	15.50	6,466	1.03	.60	71.7	12.2	.80	3.7	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific .... N	38.00	- 2.25	- 5.6	40.50	37.38	48.38	22.75	28,260	2.67	1.74	53.4	8.4	1.20	3.2	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp .... N	19.88	.13	.6	20.75	19.50	28.13	14.00	4,453	2.13	1.18	80.5	NE	1.00	5.0	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific .... N	30.00	- 1.38	- 4.4	31.50	29.00	39.75	21.50	6,777	1.77	1.14	55.3	7.4	.92	3.1	NEW	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel .... M	14.75	- 1.13	- 7.1	16.00	14.75	23.50	12.00	7,649	.75	.53	41.5	NA	.85	NA	NEW	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp .... N	2.00	- .25	- 11.1	2.25	2.00	5.38	2.00	9,132	3.80	1.25	204.0	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp .... N	25.38	- .75	- 2.9	27.00	24.63	39.25	18.75	23,189	1.75	.93	88.2	13.9	.40	1.6	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds .... M	5.75	.25	4.5	6.25	5.50	12.50	5.50	324	1.30	.25	420.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co .... N	36.00	- 2.00	- 5.3	37.88	35.75	43.00	21.13	1,190	1.03	1.15	- 10.4	12.5	1.00	2.8	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc .... N	7.50	- 1.13	- 13.0	8.63	7.00	14.75	5.00	5,766	3.76	1.30	189.2	NE	.10	1.3	NEW	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn .... N	19.88	- .63	- 3.0	20.50	19.38	27.00	9.00	10,254	2.56	2.45	4.5	3.8	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem .... A	12.50	- 1.63	- 11.5	14.13	12.38	17.75	9.00	1,939	1.74	1.04	67.3	18.7	.12	1.0	NEW	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot .... N	19.75	- .25	- 1.3	20.38	19.38	27.25	9.75	1,890	1.58	1.68	- 6.0	8.1	.50	2.5	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp .... N	29.00	- 1.88	- 6.1	31.50	28.75	39.25	21.00	2,317	.87	.53	64.2	8.4	.92	3.2	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds .... N	42.75	- .13	- .3	42.75	40.13	53.50	27.50	18,734	1.57	.92	70.7	12.1	1.20	2.8	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms .... N	26.00	- .63	- 2.3	27.00	25.38	36.13	20.13	5,832	1.33	1.11	19.8	12.0	.64	2.5	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works .... N	26.88	- 2.38	- 8.1	29.50	26.50	36.63	21.25	3,562	.83	.64	29.7	12.9	.88	3.3	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds .... N	20.00	- 1.63	- 7.5	21.75	20.00	22.38	13.81	596	.57	.73	- 21.9	11.4	.68b	3.4	NEW	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind .... N	29.75	.00	.0	30.00	29.25	44.00	22.50	7,675	3.39	1.72	97.1	14.2	.12	.4	NEW	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp .... N	33.88	- .25	- .7	35.00	33.50	47.63	26.00	11,891	1.61	1.05	53.3	10.7	1.24	3.7	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp .... N	44.63	3.63	8.8	47.25	41.50	55.88	23.50	98,110	19.00	5.86	224.2	14.5	1.12	2.5	NEW	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind .... M	13.50	- .75	- 5.3	14.38	13.00	14.38	7.25	2,795	4.57	2.08	119.7	14.2	.10	.7	NEW	9 mos.	03-88	38.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.75	87.5
Weyerhaeuser .... N	37.50	.00	.0	38.50	36.75	57.50	19.00	28,920	2.12	1.18	79.7	11.8	1.80	4.8	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

BEST AVAILABLE COPY

Wet spring dampens lumber, building materials sales

(Continued from page 1)

"There's just no place we can put it," the buyer said, requesting that neither his name nor his company's appear in this article. The buyer said first quarter sales had been sluggish and contractor orders off by 30 percent.

The first quarter was soft for both contractor- and consumer-oriented dealers around the country, primarily because the spring has been so cold. April sales for Lowe's, the industry's biggest chain, were up only 3 percent.

Bob Mayer, chief financial officer for Sherwood Lumber, Roslyn, N.Y., a national wholesaler servicing 37 states, agreed that retailers are requiring wholesalers to retain more stock.

"What's happening is that everybody is sitting back and waiting for the price of lumber to bottom," Mayer said. "I think they are waiting for it to drop another $10 a thousand [board feet]."

Mayer said Sherwood currently has 5 million board feet of treated lumber sitting in Philadelphia awaiting buyers.

Bruce Pergament, vp of Pergament Home Centers, Melville, N.Y., said his company had canceled orders and sent back merchandise in some lines. "Let's face it, the weather in our markets has been crummy, especially in April. Every dealer you'd call in the New York area would have experienced the same thing," he explained.

In the Midwest, Kurt Dallesasse, lumber buyer for Seigle Home Centers, Elgin, Ill., said it wasn't until late April to early May that his contractor customers came out of the woodwork and began placing orders. While the retail side of the company's business had been strong during the first quarter, Dallesasse said contractor business waned and inventories grew.

"In 1987 we had a very warm winter, business was good and people got spoiled," Dallesasse said. "So they ordered heavy and then we had a crappy winter while large inventories were being built."

Stephen Sabbeth, president of Sabbeth Lumber, a wholesaler based in Deer Park, N.Y., attributed the high retail inventories and sluggish sales to the weather but indicated that the current conditions are not necessarily anything to fret about.

"I know people are holding a lot of inventory with skinnier margins," Sabbeth said, "but what's happened is that the market is about 30 days late in kicking off because of the weather.

"But I don't think it's anything to worry about. I think the balance of the year in our region might be a little off, but still strong."

C. Stewart Gentsch, president and general manager, Stanley Hand Tools, New Britain, Conn, agrees.

"This is nothing out of the ordinary," he said. "I can't think of a single year where we haven't had dealers turn back stuff in the first quarter."

But one disturbing trend some wholesalers and manufacturers have encountered are credit problems from retailers in the Northeast.

Credit problems

Mayer of Sherwood Lumber said some custom home builders have luxury projects going unsold andare unable to pay their dealers who, in turn, don't pay the wholesaler.

"We don't want to finance our customers," Mayer said. "But some have supplied material to spec homes in the $350,000 range and those builders aren't selling the houses.

"Our response: 'Don't come to Sherwood. Go to the bank.' "

Conference tells dealers and suppliers to be 'partners'

(Continued from page 3)

management may be shifting from the supplier to the retailer; that dealers needed to derive a much more realistic appraisal of a product's profitability; and personnel training will require a joint effort by dealers and suppliers.

But in conversations with dealers and suppliers, *NHCN* found that the formation of what Dr. Bert McCammon, director of marketing with the University of Oklahoma, called "practical strategies of mutual advantage" remains an ideal more than a reality.

The barriers of self interest where rebates, knockoffs, buybacks and "fair pricing" are concerned still need to be broken down.

The conference did lead to some unanimity of opinion between retailers and suppliers, however, as they were awakened to the fact that customers' needs weren't being adequately addressed.

"Two years ago, we opened a store and began to 'think retail,' " said Dene Kimball, executive vp for RKB Enterprises, the Elmira, N.Y., wholesaler. "Now, we have to change our company and 'think consumer.' "

McCammon's main complaint about home improvement retailers was that their stores "have a relatively weak and deteriorating consumer franchise." This lack of market distinctiveness has led dealers to use what he called "kamikaze and pit bull marketing" pricing tactics.

The dealer's image is significant because, according to McCammon, the national advertising and promotional campaigns of suppliers are becoming increasingly inefficient. One third of all home improvement purchases are decided upon when consumers are in the stores; in addition, 15 percent walk out without buying anything.

McCammon went on to break down typical retailers into specific buying groups, and suggested that retailers have to "know who these people are, and what. . . they want."

This is where manufacturers and wholesalers come in by forming a "partnership" with dealers that includes the development of goals, inventory planning, marketing and personnel training.

"Distribution management is the new frontier in marketing," said McCammon. But he cautioned that streamlining distribution "is no substitute for strategic distribution."

Earlier in the conference, Dr. Walter Salmon, professor of retailing at Harvard University, made a similar plea for the development of partnerships and played up the role of the wholesale distributor and co-op in the market.

Salmon's biggest pitch, though, was for dealers to determine what they buy and who they buy from through a "direct product profitability" (DPP) formula that he said was a far more realistic assessment of a product's performance. McCammon agreed entirely, claiming that DPP "gives us a good shot at doubling profitability and return on assets."

The conference, which was cosponsored by *Home Center* magazine and the American Hardware Manufacturers Association, also featured Robert Strickland, the chairman of Lowe's, who encouraged attendees to purchase the research that has been assembled by the DIY Research Institute. Arthur Miller, a professor of law at Harvard, also gave a dinner address concerning ethics in business.

Home center industry's earnings boom for 1987

Earnings performance of publicly held companies

Company	Sales (in $mil.)		Net income (in $mil.)		
	1987	1986	1987	1986	% chg.
RETAILERS					
Home Depot	1,453	1,011	54.1	23.9	126.5
Pay 'N Pak	429	398	12.7	5.7	122.8
National Hardgoods Distributors	36	34	0.96	0.49	95.7
Wolohan Lumber	229	194	9.0	5.3	69.8
Hechinger**	725	588	41.9	28.3	48.1
Lowe's	2,442	2,283	61.2	52.5	16.6
Scotty's *(period ended 7/87)*	516	494	10.3	13.5	− 23.7
Payless Cashways	1,770	1,528	28.1	42.4	− 33.7
Grossman's	1,077	1,006	17.8	152.1†	NA
Diamond Lumber	232	338	(22.2)	(0.9)	−236.7
National Lumber	159	150	0.2	(2.4)	NA
Wickes Cos. *(home improvement and furnishings div.)*	1,083	786	57.3*	25.3*	126.5
K mart					
(corporate)	25,627	23,812	692.0	520.0	33.1
(specialty div.)	3,490	2,500	75.0*	37.0*	102.7
Sears *(merchandising div.)*	28,085	27,074	787.0	736.0	6.9
WHOLESALERS					
Cotter & Co.	1,854	1,734	89.3	71.2	25.4
Palmer G. Lewis	217	187	1.6	1.3	23.1
Hughes Supply	432	348	16.3	13.5	20.7
Ace Hardware	1,198	1,061	41.6	36.5	13.9
CoastAmerica	354	336	3.4	3.3	3.0
Moore-Handley	98	85	0.4	1.2	− 61.7
MANUFACTURERS					
Owens-Corning	2,890	3,640	200.0	16.0	NA
Black & Decker *(period ended 9/87)*	1,930	1,790	55.6	6.3	NA
Newell Group††	720	401	37.2	24.0	5.0
Masco *(building and home improvement)*	1,460	1,260	303.0*	265.0*	14.3
Georgia-Pacific *(building prod. div.)*	5,760	4,850	533.0*	500.0*	6.7
CertainTeed					
(fiberglass div.)	549	518	79.4*	99.8*	− 20.4
(building mat'ls div.)	363	337	22.0*	24.4*	− 9.8
Weyerhaeuser††† *(forest products div.)*	3,003	2,434	338.6*	243.7*	38.9

NA: not applicable

*operating income

**does not include sales from Home Quarters Warehouse, whose acquisition was completed in February.

†includes gains from settlement of liabilities from Chap. 11 reorganization.

††includes sales and earnings from Anchor Hocking acquisition

†††Sales to unaffiliated customers

Source: company annual reports

NHCN chart

Earnings boomed for many home improvement companies last year, particularly retailers, led by The Home Depot's 126 percent gain and Pay 'N Pak's 123 percent increase. Several wholesalers fared strongly as well, as did the selected group of manufacturers listed, with the exception of CertainTeed, which is fighting a complete takeover by its corporate parent.

Makita wrestles with importers for share of cordless tool market

(Continued from page 3)

named as an importer of lookalikes), was "incensed" and "enraged" at Makita's complaint. "They're not a domestic company, and should not be protected by the ITC."

Deliberations postponed

After a number of the companies cited in the complaint pointed various deficiencies, Makita requested an indefinite postponement on deliberations about beginning the investigation, which was granted on April 27 by ITC Secretary Kenneth Mason.

Makita's Margolis said the company was supplying the ITC with additional information on U.S. content of its Georgia-produced tools.

In addition, according to Makita's attorney William Zeitler, the federal agency wanted Makita to include additional Taiwanese companies in the complaint.

Zeitler, an attorney with the Washington firm of Bell, Boyd & Lloyd and a former ITC division head, said the four tool models made in the Georgia plant are constructed from parts supplied by U.S. manufacturers.

The information supplied to the ITC will remain confidential, he said.

Not surprisingly, Makita U.S.A., International Consumer Brands and Trade Associates are in the same boat: For each, "importer" has become a dirty word, as they all intend to expand their U.S. production facilities.

- Makita U.S.A. wants to eventually produce half of the tools it sells in the U.S.

Ten percent of the subsidiary's 1987 sales of $295 million came from production at its Buford plant, which employs about 35 people and is scheduled for expansion by 1990;

- International Consumer Brands plans to begin a mixture of manufacturing and assembly in the next 90 days in Arizona and New Jersey, employing 60 to 70 people, said Hahn in mid May.

The two-year-old, Connecticut-based supplier posted 1987 sales of $30 million, up from $8.6 million in 1986. Hahn said ICB is spending "more than $1 million in advertising" on Father's Day and similar fall promotions;

- The $10 million Trade Associates was started in 1981 and did band saw assembly at its Auburn, Wash., plant two years ago. It plans to expand its assembly and manufacturing here.

But the Makita complaint could kill expansion and divert funds to lawyers' fees and court costs.

The cost to International Consumer Brands in attorney's fees could cost $300,000 to $500,000, a figure Hahn said could not be recouped since the Makita complaint is in an administrative law court.

It's worse for Trade Associates. If the ITC upholds Makita's complaint "and Taiwan imports have to stop it'll put me out of business," claims Turnbull.

Retailers fight for position on lucrative Long Island

(Continued from page 1)

"We know where all the good sites are in the market, because of our relationship with realtors here," said Bruce Pergament, the chain's vice president, in a recent interview. "We've either bought them or rejected them as not adequate."

Consequently, Hechinger, The Home Depot and Goodbuys are already battling each other for potential sites in a market where real estate prices are high and prime retail sites scarce. They also have to familiarize consumers with their stores' names in an expensive media market and find employees to run large stores in this area of low unemployment.

Unquestionably, the potential of the market is enticing.

By 1991, Nassau-Suffolk will rank second for most affluent households in the entire country, according to *Sales and Marketing Management*, with an average household income of over $71,000. It is projected to have a population of 2.74 million, growing by almost 3 percent from 2.66 million in 1986.

According to *Editor & Publisher* magazine, Nassau-Suffolk retailers will generate $1.19 billion in hardlines and building materials sales in 1988, which would be the ninth highest in the country.

Not surprisingly, Long Island is one of the target areas for The Home Depot which, in a letter to *NHCN*, confirmed that it plans to place 50 stores in the New York metropolitan area over the next 10 years. "That number might, in fact, become more if the land and opportunities are there," wrote Bernard Marcus, chairman of the Atlanta chain.

Goodbuys is looking to make use of secondary sites, and its Westbury unit has been converted from a food distribution center, one block behind the main throroughfare, and Farmingdale converted from a glove manufacturing plant visible but set back from Route 110.

"We can survive in secondary sites but clearly know we can do better when very visible," said Tom Thornton, president and chief executive officer of Mr. Goodbuys, which is based in Philadelphia. The company plans to open two or three more stores on Long Island next year, depending on the availability of sites and the level of home center activity.

The challenge for Mr. Goodbuys in opening the Westbury and Farmingdale stores was not only to introduce its name to a new market, but to manage and merchandise the stores more efficiently, given the high cost of real estate.

Both stores are able to carry 20 percent less inventory by being serviced three times a week from the company's new distribution center in northeastern Philadelphia. This cuts down on the bulky millwork items carried in the store, although the reduction is not immediately evident on the sales floor, where 40,000 skus are displayed.

Both stores are a little smaller than the company norm: 86,000 square feet in Westbury and 90,000 square foot in Farmingdale.

But Mr.Goodbuys has improved its planogramming to make more use of cubic space. For example tub enclosures stand three high on top of each other in displays, shower doors stand end to end and vanities are racked five high.

Goodbuys commitment to growth is seen in its continued search for new DC sites. Its present 150,000-square-foot DC is merely a stop gap to service the newest stores, as the chain intends to build a 400,000-square-foot DC in the Philadelphia for the chain.

Retailers find barter is better than cash

(Continued from page 1)

Diamond recovered its costs through a $2 million deal begun late last year with SGD Corporations, a New York-based trading company, said Robert Green, the chain's vp-merchandising.

Warren Rothstein, SGD's executive vp, signed an agreement with Diamond to take delivery of the goods and to provide the home center chain with $2 million in goods and services at discounted prices.

In the trade, Diamond received the services of a New Jersey distribution center, and was able to close its own Manchester, N.H., DC.

The relationship has blossomed and Diamond expects up to $50 million worth of business this year with SGD, much of it for the distribution center services, Green said.

"We're retailers and we want to concentrate on the buying and selling or merchandise and leave distribution to people who are expert at it," Green said.

SGD has been striking barter deals for home centers for about four years and its customers have included Channel, the 179-store, Whippany, N.J., chain and Lowe's, the 296-unit chain in North Wilkesboro, N.C. Yet many retailers remain untouched by barter, Rothstein said.

"It's a move off from their normal posture," he said, "but the growth will be enormous."

Dealers who specialize in selling closeouts believe growth may be slower.

"Personally, I think it lends itself more to general merchandise than to home centers," said Mort Bernstein, president of Ollie's Bargain Outlets in York, Pa., the closeout specialist that has been paid in cash when dealing wtih SGD.

Bob Capron of Milhurst Trading in Freehold, N.J., (and formerly a buyer with Pergament and Mr. Goodbuys) also noted that barter continues to play only a small role in home centers' business.

SGD's Rothstein is out to change that, though he noted that most in the industry remain unfamiliar with barter.

He said SGD reimburses home centers for the total cost of the merchandise, and explained a typical agreement: SGD might agree to take delivery of goods worth $300,000, establishing an accounts receivable in that amount with the retailer.

The retailer then might agree to accept $100,000 worth of accommodations in a hotel chain Rothstein was doing another barter deal with.

The retailer then pays $50,000 in cash to SGD and reduces the receivable by $50,000. Transactions continue until the retailer has retired the receivable.

"It shouldn't work but it does," said Green of Diamond Lumber. "You're paying $10 each for glue guns and he gets you 10,000 for $9 each by doing something like taking a manufacturer's entire output for a period of time. He might have bought them for $7 each."

"I think it really is an individual choice," added Bob Swanson, Lowe's senior vp-merchandise, "but it clearly affords an alternative when a retailer wants to make a significant change in his merchandise mix."

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Redwood sales expected to rise

(Continued from page 1)

Mill Valley, Calif., redwood lumber enjoyed a sales boost last summer. This was attributable to a growth in demand where the product previously had struggled for market share, particularly in the East and Midwest.

Prior to its resurgence, however, redwood demand lagged due to a combination of factors including government seizure of redwood forest land, increased freight costs and increased attention from militant environmentalists.

This year, sales continue on the upswing and suppliers, disagreeing with the WWPA projection, are optimistic that the trend will continue.

John Callahan, specialty lumber buyer for Riverhead Lumber, Riverhead, N.Y., said that redwood for decking is moving at a noticeably higher pace than last year. "We're selling 15 to 20 percent more than last year," he said.

He added that the bulk of redwood sales are for decking.

With regard to the potential effect of environmentalists decreasing supplies through lobbying efforts and land seizure, Callahan affirmed that he has had no trouble with suppliers. "The environmentalists may succeed in driving prices up by publicizing the idea of a possible shortage," he added.

Stephen Sabbeth, president of Sabbeth Industries, a national wholesaler based in Deer Park, N.Y., said that demand for redwood on the East Coast has increased 30 to 40 percent over last year. One reason, he said, was that redwood prices have stabilized to the point where they are competitive with treated lumber.

Sabbeth referred to militant environmentalists as uninformed, but conceded they have garnered significant publicity which needs to be countered by lumber groups.

Environmentalist groups such as the Sierra Club and Friends of the Earth have indeed been vocal in their views on redwood preservation. David Ortman, Northwest representative for Friends of the Earth, said that while some redwood trees were protected, he didn't think that the boundaries were adequate.

"We're looking at areas to preserve. We think there are alternatives to using redwood—everyone doesn't need a redwood deck or a redwood chair. Using trees 500 to 700 to 1,000 years old for projects that last 10 to 20 years is a tremendous waste."

Due to production problems the company index could not be run this issue.

Advertisers Index

Advo Systems	43
American Express	42,44,46
American Lock	34,35
Arrow Fastener	29
Bemis Mfg.	46
Bruce Hardwood Floors	49
Century Industries	44
City of Hope	53
Cole Sewell	4
Crawford Products	45
Croft Metals	19
Design House	36
Diamond F	40
Domtar Gypsum	32,33
Duracell	46
Dutch Boy	50
Dyna/Energx	14
Emco	26
Fluidmaster	11
Forman Industries	7
Franklin International	46
General Electric	29,34
General Marble	35
Georgia-Pacific	24,25
Glidden	36
GTE Sylvania	7
Handy Store Fixtures	8
Honeywell	30,31
Hunter	40
Index Measuring Tape	8
Innovative Controls	8
Interbath	7
Keller Industries	54
Keystone Franklin	44
Keystone Steel & Wire	4
Klean Strip	48
Knauf Fiber Glass	48
Lane Publications	62
Loctite	4
Louisiana-Pacific	41
Macco Adhesives	40
Magic American	34
Makita Electronics	48
Makita	46
Manville	27,28,29,37,38
Myro	8
National Mfg.	29
National Store Fixtures	4
Newborn Bros.	7
North American Phillips Lighting	63
Ohio Sealants	8
Panasonic	23
Ply Gem	22
Price Pfister	7
Prime Products USA	8
Rainbird	7
Sentry Group	36
Sequentia	42
Spa Faucet	36
Square D	40
Stanley Door	39
Stanley Hardware	20,21
Teco	4
Therma-Tru	12
United Steel	64
Universal Security	52
W.W. Henry	42
Waxman Industries	9
Weiser Lock	13
Weyerhaeuser Wood	44

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Raider would spin off Payless units

By an NHCN staff editor

KANSAS CITY, Mo. — Some of Payless Cashways "should" be spun off, according to Asher Edelman, the New York investor who has made a run at the $1.8 billion chain by acquiring a chunk of its common stock.

And if the 198-unit chain were broken up, a significant portion of it could fall into the hands of Dwight Sutherland, the chairman of Sutherland Lumber in Kansas City, Mo., who has joined Edelman and a consortium of companies to purchase nearly 10 percent of Payless' 33.7 million shares, valued at around $60 million.

Edelman (who spoke with *NHCN* briefly on May 25), Sutherland (who did not) and Payless' chairman David Stanley aren't negotiating yet, though, as their comments about any proposed takeover of Payless have been confined to terse statements and stare downs more akin to a poker game.

Edelman sent Stanley a letter on May 27 asking for a shareholders meeting to discuss a warrant rights plan Payless' board hastily voted in to guarantee that company stockholders would be adequately compensated in the

(Continued on page 86)

Payless Cashways' Top 10 Institutional Shareholders

Company	No. of shares
Alliance Capital	1,266,000
Texas Teachers Retirement Fund	1,259,000
Dodge & Cox (money managers)	1,069,000
Centerre Bank	997,000
Neuberger & Berman (money managers)	984,000
California Public Employees Retirement Fund	895,000
Investment Counselors (money managers)	708,000
Guardian Mutual Fund	335,000
IDS Financial	300,000
Hawaiian Trust	201,000

Source: March, 1988 report from Vickers Stock Research Corp., Huntington, N.Y.

NHCN chart

Owens-Corning plans entry into window market

By Edward McKinley

TOLEDO, Ohio — Owens-Corning Fiberglas Corp. plans to introduce a high-end line of polyester and fiberglass windows designed to improve energy efficiency by 10 to 20 percent over wooden windows, company officials said.

The windows, with reinforced polyester exteriors covering a core of fiberglass insulation, will debut this fall in Eastern states under the name FIBRON, said

(Continued on page 87)

Snow blower orders in June? Yes, say enthusiastic dealers

By Edward McKinley

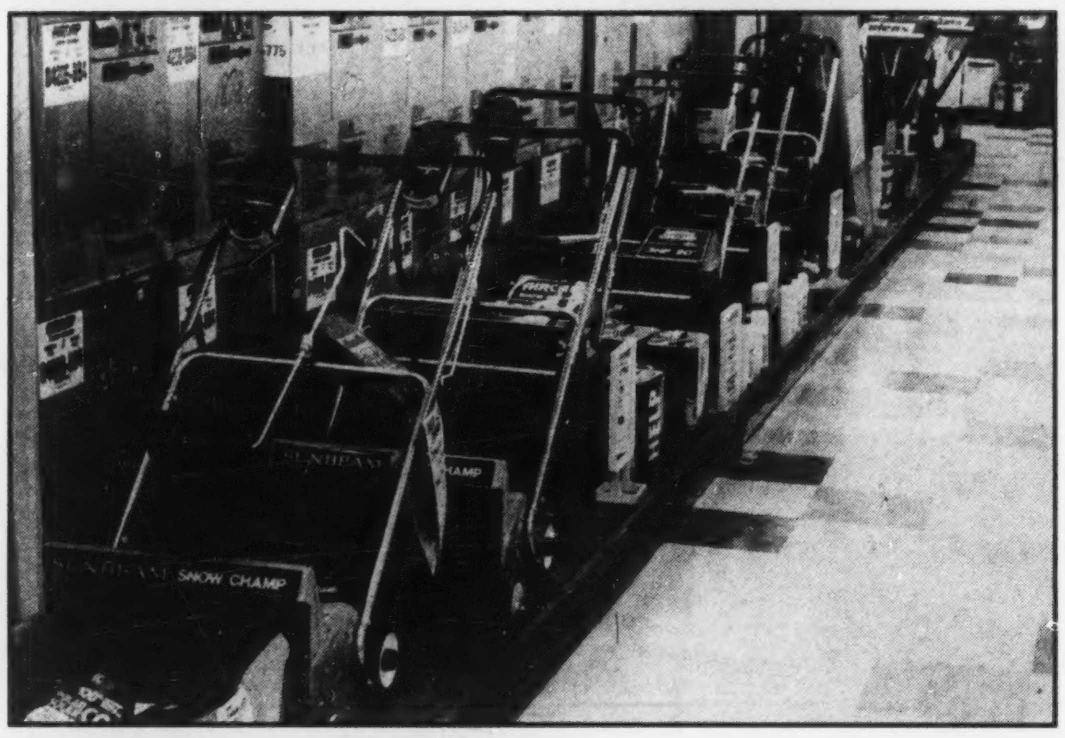
NATIONAL REPORT — For some, thoughts turn to love in springtime. For others, snow throwers come to mind.

April, May and June are the months when most home center buyers order snow throwers for fall shipment and winter sales.

Industry sources said this season's orders are stronger than a year ago, mainly because of heavy snows late last winter and heavy rains this spring in the East.

Blizzards triggered consumer purchases that helped retailers deplete their inventories and leave room for

(Continued on page 87)



Industry sources report that snow thrower orders are healthy after a successful winter selling season. Pictured is Rickel in Union, N.J.

NHCN photo

Eclipse president gives up control of firm in deal with financier

By Gary S. Ruderman

ST. LOUIS — Steve Feinstein, president of the perennially undercapitalized Eclipse Industries here, lost control of his five-unit company in a deal with a Texas financier, *NHCN* has learned.

While Feinstein gave up more than 50 percent of Eclipse, no funds have come into the company from his new partner Don Navarro & Associates of Dallas, a senior Eclipse official confirmed.

And this alliance, whatever its ultimate resolution, could affect the future of Feinstein's partnership with Fred Erb in two Cleveland DIY Warehouse operations.

Vendors report Eclipse officials have scheduled conferences this month to discuss the new financing arrangements.

Dick Daner, executive vp of Eclipse, told *NHCN* on May 27 that the deal to bail out Eclipse "hasn't injected

(Continued on page 86)

Labor shortage forces creative hiring in New England

By an NHCN staff editor

PORTLAND, Maine — Larry Bates is the kind of salesman New England dealers dream about, have had trouble finding and, lately, are bargaining for in unorthodox ways.

Bates boasts of having sold up to $2.5 million worth of building materials in a single year as a contractor salesman for Hancock Lumber's Kennebunk, Maine, operation. And during his 17-year career—which has also included a stint at Grossman's—he's gotten lots of job offers from competitors, but none like the one he received recently: a "cash prize" Bates claims was offered by another local dealer just to talk about a position.

He was unable to produce proof, in the form of a letter, that such an offer was made. But Bates—who said he's satisfied with the job he has and did not show up for the meeting—may not be the only one to receive such an invitation.

Whether the Bates example is an isolated case or the iceberg's tip of a growing activity remains to be seen. But it is clear that some dealers in New England, limited by what is regarded as the nation's tightest labor market, may be experimenting with an array of enticing recruitment incentives to find productive employees.

These incentives, which have been reported to *NHCN* by local dealers who asked that their names not be used, purportedly include cash to potential hirees at the end of an interview and even tempting seasoned workers with new cars or Jeeps if they sign on.

And it appears that the recruitment enticements are aimed more at valued contractor salespeople and, in some cases, assistant store managers and their superiors.

But with the exception of the Bates case, *NHCN* was unable to substantiate on the record any one of these allegations. And it seems that the anxiety level of competitors may be causing some hiring myths to be perpetuated.

For example, local sources said Diamond Lumber, the

(Continued on page 87)

INSIDE

Perspectives

The *NHCN* Annual Report on the Home Center Industry Part Three

Building materials distributors aren't relying on surges in home building to expand their businesses. Instead, many are aiming their products and marketing at those outlets that cater to the home improvement remodeler, with home centers being a prime target.

NEWSBREAKS

NEW WAVE OF HOME CENTER SITES AVAILABLE? Possibly, as Stop & Shop, the supermarket company, has retained Shearson Lehman Hutton to investigate the divestiture of the southern division of Bradlees, its mass merchandise chain. The 58 stores, which generated $635 million in sales last year, are located in greater Philadelphia (including southern New Jersey); Baltimore-Washington; Tidewater, Va., and North Carolina. The typical size of a Bradlees unit in play is 72,000 square feet.

INDUSTRY UPDATE

Anderson president named ceo

OGDEN, Utah — Following the death of company chairman E. Leroy Anderson, Anderson Lumber Co. president and ceo James C. Beardall has assumed the additional title of chairman of the 23-unit chain headquartered here.

Before he was named chairman of Anderson Lumber in 1979, E. Leroy Anderson had been general manager for 17 years.

The 77-year-old Anderson, who was a nephew of the company's founder, died Jan. 25, 1988.

Beardall was also named chairman of Anderson Lumber's wholesaling subsidiary, Pioneer Wholesale Supply Co.

A certified public accountant, Beardall joined Anderson Lumber in 1966 and has served in several executive positions.

Beardall is a director of the National Lumber and Building Material Dealers Association.

Beardall is also chairman of Central Builders Supplies Co., a national purchasing cooperative based in Sturgis, Mich.

HomeClub enters Calif. desert

FOUNTAIN VALLEY, Calif. — HomeClub, with 15 locations in southern California mostly in the heavily populated metropolitan area, has set its targets on the fast-growing desert region.

HomeClub has grand openings slated this month for two warehouses in Victorville and Lancaster.

The Victorville warehouse will have 117,814 squarefeet and will be one of the largest units in the now 38-unit chain. The square footage includes a 13,905-square-foot nursery area. HomeClub's facility in Lancaster will be 103,000 square feet.

The move into the California desert by Los Angeles-area DIY chains was pioneered by National Lumber, which opened in Cathedral City next to Palm Springs in 1982.

Earlier this spring, Builders Emporium moved into Cathedral City as well, marking its desert retailing debut.

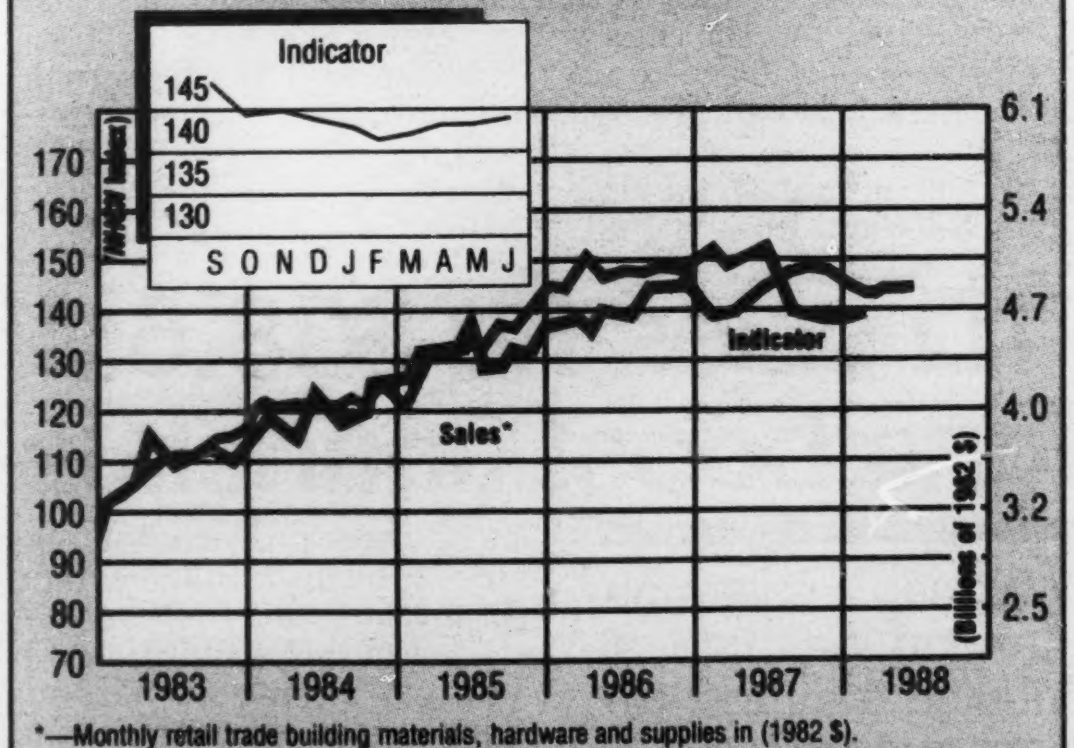
Pay 'N Pak files stock offering

KENT, Wash. — Pay 'N Pak Stores said it has filed with the Securities and Exchange Commission for a proposed offering of $110 million of senior subordinated debentures.

Net proceeds of the offering will be used to repay approximately $40.5 million of bank debt and $65 million of interim subordinated debentures. The interim debentures were issued in conjunction with the recent buyout of the 100-unit chain by its management.

Underwriter of the proposed offering is Goldman, Sachs & Co. The senior subordinated debentures are due in 1998.

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate offuture building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is pointing to a decline in building materials sales in the second quarter due to weakness in single-unit housing starts and resales. The Business Watch column (page 77) highlights the revisions to regional retail building materials sales.*

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Hechinger joins Eagle's pilot program to order electronically

By an NHCN staff editor

LANDOVER, Md. — Hechinger has joined the Eagle ordering network in a pilot program to test the feasibility of ordering electronically, according to Ordernet Services, the Columbus, Ohio, firm managing the Eagle system.

Hechinger will begin its program by sending purchase orders to a selected number of vendors. Once the pilot program is complete, Hechinger will expand its program to accommodate additional trading partners. It also has plans to implement the invoice application once purchase orders are successfully under way.

The Eagle network, an electronic "mailbox" that allows vendors and retailers to send purchase orders and invoices to each other, currently has 280 to 300 companies participating in the program.

The addition of Hechinger, the 80-unit chain considered by many vendors and dealers to be on the cutting edge in merchandising systems, is something of a coup for Eagle, which has had trouble in the past attracting new members because of the lukewarm acceptance of the system by the retail community.

Ward White extends tender offer to buy A.G. Stanley Holdings plc

By John Caulfield

LONDON — Ward White extended its tender offer to purchase the 509-unit A.G. Stanley Holdings plc to June 3.

A conglomerate whose interests include the Payless DIY chain, England's third largest, and Builderama in Georgia, Ward White is interested in Stanley's "high street" or urban stores that go under the names FADS, Decor 8 and Home Charm. Ward White's Payless DIY chain has concentrated its growth primarily in suburban markets to this point, and the Stanley units have been deemed by Ward White officials as a "natural extension" of Payless.

Stanley also owns a wallpaper and paint factory which one Ward White official said his company would consider keeping.

Ward White owned 3.7 percent of Stanley's stock before making its bid and has gotten into a war of words with its prey, which has twice advised its shareholders that Ward White's $200 million-plus bid for the company's stock was "derisory and totally insufficient," said Peter Wood, Stanley's group retail director who spoke by telephone with *NHCN* on May 24.

Wood said there were"no negotiations" going on between the two firms, but indicated that less than 1 percent of Stanley's stockholders had offered to sell their shares (not all that unusual in the first round of British takeovers).

"It's really a cat and mouse game right now," Wood said.

(Continued on page 87)

In the May 16 issue, *NHCN* reported erroneously that Ward White had acquired A.G. Stanley, when in fact it had made a hostile takeover bid for the firm. *NHCN* regrets the error.

Former Rickel exec vp named Pergament gmm

By an NHCN staff editor

MELVILLE, N.Y. — Will Vachon, former executive vp of Rickel Home Centers, has been hired at Pergament Home Centers as its general merchandise manager.

The Vachon hiring comes after almost a year to the day that he took early retirement from Rickel, South Plainfield, N.J., after being excluded from the management group that took Rickel's parent, Supermarkets General, private in a leveraged buyout.

Vachon, who had worked for Rickel for 31 years, was highly regarded for his expertise in advertising, marketing and merchandising, and had been serving as an industry consultant.

His background will serve Pergament well as the 42-unit chain continues its full-court press to make the penetration by others into its market unbearable.

Since the middle of the first quarter, Pergament has been advertising relentlessly on television, radio and newspapers throughout the New York region, particularly the Long Island area which has been dominated by the 40-plus-year-old chain.

Although company executives declined to return phone calls, it seems clear that the strategy behind the advertising blitz is to blunt the inroads by such invaders as Mr. Goodbuys and the imminent invasion of Hechinger and Home Depot.

In one TV spot that coincided with Mr. Goodbuys' first store opening on Long Island, Pergament warned its shoppers to be wary of others' claims that they are the lowest price in town.

"Five home centers can't have the lowest price," the voiceover says, implying that Pergament does.

The chain's newspaper ads hammer home this message by featuring "below-cost" prices on commodities, while another touts the chain's "lowest prices ever."

In another promotion for name recognition, Pergament has placed a billboard at Shea Stadium outside centerfield. The ad says that if a player hits the board with a home run, Pergament will paint the ballplayer's home.

N.J. supplier seeks control of P.G. Lewis

By an NHCN staff editor

AVENEL, N.J. — A New Jersey-based building supply wholesaler has notified the Securities and Exchange Commission (SEC) that it intends to acquire the "controlling interest" of the Palmer G. Lewis Co. (PGL), the Auburn, Wash.-based lumber wholesaler.

The move by Bradco Supply Corp. here comes after PGL had indicated its willingness to be taken over by Huttig Sash and Door Co., Chesterfield, Mo., a wholesale subsidiary of the New York conglomerate, the Crane Co., for $11 a share.

Both PGL and Huttig issued a joint announcement May 17 that a cash tender offer for all outstanding PGL common stock at $11 per share would begin immediately with the stipulation that Huttig acquires at least 2.7 million shares, or 67 percent of PGL common stock by June 17. Any

(Continued on page 88)

INDEX

Advertisers Index 88
Calendar.......................67,68
Classified 81,82,85
Company Index 88
Editorial 14

Perspectives 19
Bldg. Materials Wholesalers.........20
Bldg. Materials Co-op Listing 21

Bldg. Materials, Hardware Sales 26
Merchandising 32
1987 Weekly Trading Prices 31
Top Metro Markets 26

Business Watch 77
Financial News 85
Housing 78
Stocks 79

Foreign and domestic buyers eye Lloyd chain

By Elizabeth Brent

DANBURY, Conn. — Both overseas and domestic buyers have shown interest in Lloyd Home and Building Centers, which was put up for sale by its parent company, American Maize Products, on April 6.

"The interest is rather active, particularly among domestic companies," said Dov Sadeh, senior vice president with Wright Investors Services, the Bridgeport, Conn., company which is handling the sale. He declined to identify what companies have expressed interest in the 34-unit chain.

However, the sale of the chain through a two-stage competitive process has been time consuming, and Sadeh does not expect an agreement to be reached until the end of July.

The company is currently reaching the end of the first stage, during which qualified interested parties who have signed an confidentiality agreement indicate their interest and a price range and are provided with certain financial data on the firm.

Under the second stage these parties will gain more information about the company, including access to stores and management.

Lloyd Home and Building Centers has had a troubled four years with losses estimated at $17.8 million.

Last year Lloyd embarked on a complete new merchandising and store renovation program under the leadership of president Tom Cawley. The program aimed at boosting margins and cutting company distribution and operating costs.

However, the chain lost $7 million on sales of $110.2 million in 1987 and the first quarter of 1988 was also disappointing.

"Although Lloyd Home and Building Centers began to show the positive effects of our restructuring programs, sales figures were still below our expectations," reported William Ziegler, chairman and chief executive officer in the company's first quarter statement.

American Maize is looking for buyers with the resources to "purchase and operate the business as an ongoing concern," according to its first quarter statement. Cawley stated that he remains "very positive" about the sale of his chain, the 36th largest in the home center industry in terms of volume.

"We believe that significant amount of work, effort and investment has gone into putting together a fine management team, with a large number of store managers, and a new generation of key personnel who expect to have future in this continuing operation," said Sadeh.

Levolor Lorentzen purchased by Dean Witter for $135 million

By an NHCN staff editor

PARSIPPANY, N.J. — Dean Witter Capital Corporation reached a definitive agreement to purchase Levolor Lorentzen, the window treatment supplier here, on May 20 for $135 million.

Dean Witter purchased 100 percent of Levolor's outstanding shares, valued at $83 million, in addition to a debt of $52 million.

This puts an end to the Lorentzen's family ownership which has lasted 70 years and the recent disputes between family stockholders.

Eric Lorentzen, chief executive officer at the time this article went to press, will be retained as chairman.

However, Dean Witter will appoint a new ceo and new chief operating officer within the next few weeks, according to Lorentzen.

Levolor has been without a president since January when John Kurtz left the company.

Dean Witter refused to comment on any changes it plans in the company or its management. It also declined comments on Levolor's sales, market share or future marketing plans.

There have been reports in the press that infighting among family members over shares instigated the sale of the company. The dispute centered on the 44 percent stake in the company held by the estate of H. Peter Lorentzen, one of the founder's three children.

"The family commentaries that have appeared in the press about the disagreement between the former wives of my brother Peter Lorentzen do not reflect upon the daily operations of the company, or the decision to sell the company, because the decision to sell was mine," said Eric Lorentzen.

"The company got into trouble due to the lack of strong financial controls over a period of eight years which finally took its toll, and now we are climbing out," said Lorentzen.

Levolor reportedly lost $14.9 million in 1987 with revenues of $259 million, according to *Home Furnishings Daily*. The privately held firm declined to reveal its financial data.

"In order to finance future growth and accelerate industry changes we needed more financial clout," Lorentzen said. "With higher levels of financing we would have the ability to react and grow the company quickly in a changing environment and expand the product base we carry."

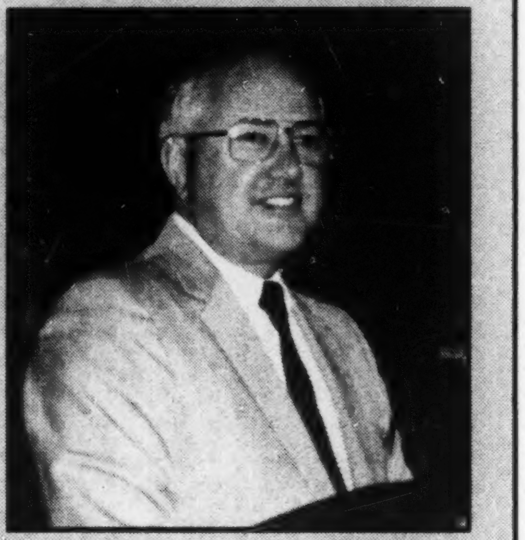
The company, which manufactures custom and stock miniblinds, focuses more on specialty outlets and Sears than the home center market. It has lost market share in recent years to import vinyl miniblinds stocked by mass merchandisers.

Levolor is not a major player in the home center market, according to Wayne Dickson merchandising manager with Newell Window Furnishings, who sees his company, Graber, Kirsch, Clopay, and Kenney as the major players.

However, Lorentzen told *NHCN* that his company's future strategy would include cultivating home centers to a greater extent, although he wasn't specific about what those plans would entail.

Dealers flock to top co-op buying shows in annual rite of spring

By an NHCN staff editor



Roger Peterson, president of Ace. NHCN photo

NATIONAL REPORT — A 40th anniversary celebration, the announcement of higher commodity prices and the discovery that another co-op will conduct a January lumber and building show for its member-dealers were highlights of the month-long spring buying season for the nation's top hardware cooperatives.

From the end of April through the middle of May, dealers from around the nation—and several dozen foreign retailers—came into Baltimore, Dallas, Chicago and Indianapolis to take advantage of "show special" pricing on a range of products, see new products and make purchases designed to carry dealers through Christmas.

Commodity manufacturers at Hardware Wholesalers Inc.'s (HWI) Indianapolis market the weekend of May 22 were announcing price hikes, with many rolling into effect just before the show or the first part of June.

Prices on gypsum board were expected to rise $6 to $10 per thousand, depending on locale of the retailer, and similar hikes were floated on roofing (up between 75 cents for roll to $1.50 per square for heavy shingle), 10 percent to 12 percent on exterior sheathing and 4 to 5 percent on roll in-

(Continued on page 86)

AHMA survey shows suppliers concerned with imports

By an NHCN staff editor

NATIONAL REPORT — Manufacturers expect to see their sales, in dollars and units, increase this year, and the majority think they'll be spending more on capital expenditures and manpower.

However, suppliers still harbor fears about the impact imported merchandise continues to have on their businesses. More than 8 in 10 manufacturers surveyed recently saw the price of imported hardlines being the main reason for their penetration into U.S. markets.

These are some of the key findings culled from a survey of more than 300 manufacturers, conducted last January by the American Hardware Manufacturers Association.

The suppliers responded in writing to 35 government-related questions. And the overall results, released by the AHMA in a book with more than 75 tables, "present a positive message for our industry," said Jack Kelleher, the association's communications manager.

Among the more optimistic findings for 1988 are the following: 90.4 percent of the respondents expected an increase in dollar sales volume and 88.8 percent expected an increase in unit sales.

More than half—57 percent—planned to increase plant equipment purchases; 51.7 percent planned to add new employees, and 60.7 percent forecast higher export sales.

Concern about imports remains a key issue for the hardware industry. More than three in five manufacturers polled felt that President Reagan's policies regarding foreign imports are too lenient. Over 85 percent believe the pricing of imports was a very important reason for the increase in import penetration in the domestic consumer hardlines industry.

Several other categories were frequently cited as "very important" reasons why imports are making such a strong penetration: unfair foreign trade practices, noncompetitive U.S. labor costs and the value of the U.S. dollar.

Reasons for the increase in import penetration in the domestic consumer hardlines industry.

	Very Important	Moderately Important	Not Important
Price	85.9%	13.4%	0.7%
Value of U.S. dollar	54.6	38.2	7.2
Quality	33.6	49.8	16.6
Noncompetitive U.S. labor costs	63.2	32.9	3.9
Consumer acceptance	52.1	40.6	7.3
Unfair foreign trade practices	51.5	38.6	9.9
Customer's lack of understanding of total procurement costs	28.7	39.2	32.1

Source: American Hardware Manufacturers Association 1988 Government Relations Survey. *NHCN* chart

Not surprisingly, Taiwan, Korea and Japan were cited as the toughest foreign competition. Nearly 70 percent felt the U.S. Customs Service has been inadequately enforcing the law which requires imported finished products to be marked conspicuously with their country of origin.

When asked what measures they would recommend to reduce the federal budget deficit, the manufacturers, almost unanimously, noted they would reduce federal discretionary spending. About eight in 10 would cut back on entitlement programs and over three-fifths would reduce defense spending. About the same percentage would raise taxes selectively, a surprisingly high total given the generally conservative makeup of the association's membership.

Labor issues such as federally mandated health benefits are predicted to dominate legislative debate in 1988. More than half of those polled feared the prospect of having to provide mandatory health insurance. Over 70 percent noted that parental and disability leave and occupational disease notification were either very important or moderately important issues, and the same number were opposed to mandatory notice for plant closings.

The respondents' uproar about the federal government's proposed mandates for more worker benefits is a predictable reaction considering over 62 percent of the companies polled said their companies were nonunionized. Almost 90 percent of the companies expected an increase in direct employee wage costs, but presumably this would be offset by the predicted increase in sales volume.

Product liability remained a topical issue, as more than three in five respondents stated that their product liability

(Continued on page 88)

Congress approves Federal ban on polygraph tests in workplace

By Deane Evans

WASHINGTON — Congress has approved a Federal ban on mandatory polygraph testing in the private sector workplace, effectively denying home centers the use of lie detectors to screen out dishonest employees.

While the final bill does include an exemption to allow testing in cases of ongoing investigation of "economic loss" due to theft, embezzlement or misappropriation in stores, all pre-employment screening of job applicants and "random" testing of employees has been outlawed for most retailers.

Furthermore, even the authorized use of polygraphs in theft investigations will be severely restricted by other provisions of the measure. Specifically, employers will have to inform any employee who is asked to take a lie detector test that it is voluntary. According to the bill, the exemption will not apply unless the examinee "is read and signs a written notice . . . that the examinee cannot be required to take the test as a condition of employment."

In addition, the bill prohibits its testing "if there is sufficient written evidence by a physician" that the employee "is suffering from a medical or psychological condition or undergoing treatment that might cause abnormal responses" during the test.

'Reasonable notice'

The measure contains additional provisions to protect employees in pre-exam, actual test and post-test phases. The legislation will require that during the pre-test period the employee receive "reasonable notice" of the date, time and place of the test, be informed of the right to have counsel and be given written notice as to whether the testing area contains a two-way mirror, camera "or other device" for observing, recording or monitoring the test.

Employers will also be required to provide the prospective examinee with a written copy of all questions to be asked during the test and inform the employee that the test can be terminated at any time.

The legislation will prohibit certain inquiries during the actual test, including questions asked "in a manner designed to degrade, or needlessly intrude." Other unacceptable areas of questioning are political views, religious preferences, union activities, sexual behavior and beliefs about racial matters.

In the post-test period, employers will be required to provide the examinee with a written copy of any conclusion reached as a result of the polygraph test. Additionally, they must conduct a post-test interview "on the basis of the results of the test." The bill also restricts disclosure of the results of the test.

Under the enforcement provisions of the measure, any employer who violates the restrictions of the polygraph ban "may be assessed a civil penalty of not more than $10,000." The Secretary of Labor will also be empowered to bring an action to "restrain" further violations of the act. Moreover, the employer will be liable to the employee or job applicant for "equitable" relief, which could include reinstatement, promotion and payment of lost wages and benefits.

Corrections

A chart listing the leading hardlines wholesale co-ops in the May 30 issue erred in calculating the percentage changes in sales from 1986 to 1987. The correct percentages are:

Company	Sales Increase for 1987 (percent)
Cotter & Co.	6.9%
Ace Hardware	12.9
American Hardware Supply	23.5
Hardware Wholesalers Inc	13.0
CoastAmerica	5.4
Our Own Hardware	8.3
Handy Hardware Wholesale	6.8
Connecticut Hardware	15.0

NHCN chart

Due to a typographical error, Ace's stockkeeping unit totals for 1986 and 1987 are incorrect in the same chart. The co-op offers 39,000 skus.

A chart on log exports on the front page of the May 16 issue incorrectly indicated the figures were in millions of board feet, instead of billions.

In the same issue, the number of employees at Rickel Home Centers was incorrect. According to Rickel's controller John Henry, the chain employs 5,675 people.

In the April 18 issue, Price Pfister's 1987 sales of $117 million were misidentified as the company's net income.

Due to a copy editing error, an article in the May 30 issue referred to Eagle Electric as a contractor. Eagle is a full-line electricals manufacturer.

Keller names president of Furniture division

By an NHCN staff editor

MIAMI — Raymond P. Ramming, the former president of the casual furniture producer Almet/Lawnlite, has been named president and ceo of Keller Industries' Furniture division.

Joining Ramming from Almet is Donald D Corning, who was named executive vp of the Keller division.

In announcing the appointments, Keller Industries' chairman Hugh Williamson explained in a prepared statement they were part of its firm's overall corporate growth strategy to increase Keller's market position in the casual furniture category.

Ramming spent 14 years at Almet, and served as president since 1982. Corning served in several capacities at Almet since 1979.

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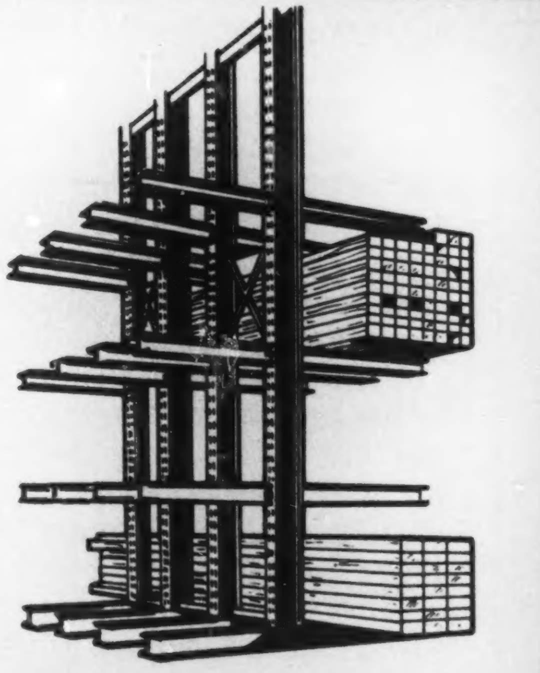

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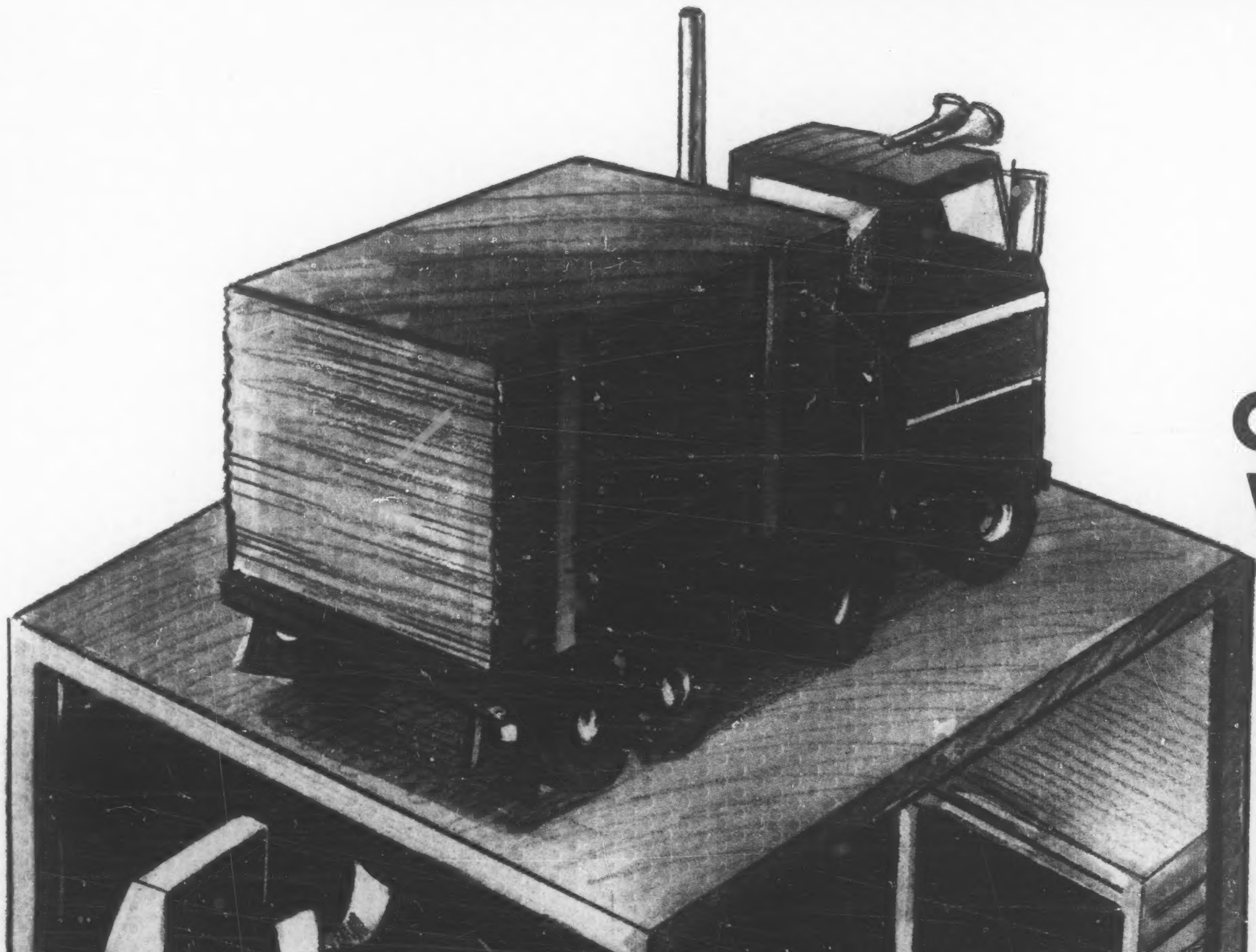
Perspectives

Section 2

The *NHCN* Annual Report on the Home Center Industry



PART THREE: THE TOP COMMODITIES WHOLESALERS

The volatility of commodities pricing has made home improvement dealers more leery about making major commitments to inventory for their stores. Consequently, more dealers have come to rely on building materials distributors to keep their stores well stocked and to rein in the cost of goods sold.

The 50 largest distributors were able to increase their sales to dealers by 12.6 percent in 1987, to more than $15.3 billion, an indication of their growing importance. In addition, building materials buying groups saw their aggregate volume increase 12.3 percent, to $2.46 billion.

LBM distributors face a market driven less by housing 20

Co-ops move from mere order taking to market hunting 22

California leads the pack in projections for commodities sales 26

Perspectives

TOP BUILDING MATERIALS WHOLESALERS

Company	Mil. $ Sales		% Chng	DCs	Retail Customers		% Sales DIY		Employees	
	'87	'86			'87	'86	'87	'86	'87	'86
Georgia-Pacific *Atlanta*	4,300	4,000	8	153	40,000	39,000	NA	NA	4,400	4,400
Weyerhaeuser *Tacoma, Wash.*	3,200	2,600	23	63	30,000	NA	40	NA	1,286	1,250
North Pacific Lumber *Portland, Ore.*	566	529	7	25	7,000	NA	50	NA	366	337
MacMillan Bloedel Building Materials *Atlanta*	400	350	14	17	6,000	5,000	40	40	302	275
Universal Forest Products *Grand Rapids, Mich.*	356	250	42	20	90	90	40	40	1,566	1,271
Huttig Sash & Door *Chesterfield, Mo.*	351	277	27	43	8,000	NA	85	85	1,850	1,780
Ply-Gem Industries *New York*	313	226	38	30	2,200	2,000	NA	NA	1,700	1,700
Owens-Corning Fiberglas Supply *Toledo, Ohio*	304	304	0	20	NA	NA	NA	NA	NA	NA
Pacific Coast Building Products *Sacramento, Calif.*	300	300	0	53	NA	NA	50	NA	2,000	NA
International Paper *Memphis, Tenn*	300†	300†	0	21	NA	NA	NA	NA	NA	NA
Morgan Distribution *Mechanicsburg, Pa.*	281	259	8	11	4,500	4,200	95	95	887	864
Allied Building Products *East Rutherford, N.J.*	281	240	17	34	15,000	NA	50	40	1,000	873
Sequoia Supply *Irvine, Calif.*	275	260	6	33	NA	NA	25	22	750	750
Furman Lumber *Boston*	250	238*	5	14	6,000	3,000	40	40	400	195
Adam Wholesalers *Cincinnati*	242	142	70	11	3,500	NA	33	NA	800	750
Boise Cascade *Boise, Idaho*	238†	231	3	9	NA	NA	NA	NA	NA	NA
Palmer G. Lewis *Auburn, Wash.*	217	187	16	15	NA	NA	70	70	500	NA
Cascade Empire *Portland, Ore.*	173	142	22	3	775	700	70	70	62	52
ABC Supply *Beloit, Wis.*	170	218	−22	57	34,000	28,000	21	20	607	605
Green Forest Lumber *Toronto*	150‡	151‡	−0.6	4	300	300	94	94	125	125
Western International Forest Products *Portland, Ore.*	140	130	8	14	1,200	1,100	30	30	90	83
Bunzl Building Material Services *Indianapolis*	140	120	17	25	6,000	3,000	80	60	375	175
Hager Group *Grand Rapids, Mich.*	140	120	17	15	4,000	4,000	75	75	510	490
Roberts & Dybdahl *Des Moines, Iowa*	138	102	35	12	1,500	1,400	100	100	200	180
Rivendell Forest Products *Englewood, Colo.*	130	120	8	6	350	300	90	85	52	50
Apex Supply *Atlanta*	105	95	11	15	NA	NA	NA	NA	400	400
Addison Corp. *Atlanta*	100	100	0	15	3,000	2,500	95	95	600	400

TOP BUILDING MATERIALS WHOLESALERS

Company	Mil. $ Sales		% Chng	DCs	Retail Customers		% Sales DIY		Employees	
	'87	'86			'87	'86	'87	'86	'87	'86
Sherwood Lumber *Roslyn, N.Y.*	100	70	43	16	520	300	70	70	30	12
Iron City Sash & Door *Pittsburgh*	95	90	6	5	1,500	1,500	50	50	300	300
Babcock Lumber *Pittsburgh*	93	75	24	6	1,500	1,500	60	60	350	325
Lawrence McCoy *Worcester, Mass.*	90	73	23	35	1,500	1,500	75	75	67	65
Cameron Wholesale *Waco, Texas*	85	102	−17	14	2,500	2,500	75	75	400	500
Futter Lumber *Rockville Center, N.Y*	84	62	35	5	372	350	100	100	19	20
Sabbeth Industries *Deer Park, N.Y.*	82	77	6	7	3,000	3,000	50	50	200	200
Empire Wholesale Lumber *Akron, Ohio*	82	70	17	2	600	600	35	35	70	63
Ajayem Lumber *Walden, N.Y.*	80	73	10	4	NA	NA	35	35	130	NA
DJ Inc.** *Brattleboro, Vt.*	80	63	27	5	1,200	1,200	80	80	157	NA
Plunkett-Webster *New Rochelle, N.Y.*	75†	70†	7	4	NA	NA	NA	NA	NA	NA
Diamond Hill Plywood *Darlington, S.C.*	70	65	8	10	3,000	3,000	8	7	175	170
Snavely Forest Products *Pittsburgh*	70	65	8	5	5,000	5,000	85	90	105	95
Kelleher Lumber *San Rafael, Calif.*	68	68	0	4	NA	NA	NA	NA	110	NA
Prudential Metal Supply *East Dedham, Mass.*	67	58	16	7	1,000	1,000	NA	NA	150	150
Stanline Inc. *Norwalk, Calif.*	65	60	8	4	2,500	2,500	NA	NA	130	120
A.P.I. Supply *Tampa, Fla.*	60	60	0	5	1,200	1,200	95	95	180	180
Mid-State Lumber *Branchburg, N.J.*	60	49	22	3	560	476	100	100	51	46
Booker & Co. *Minneapolis*	60	40	50	4	1,000	800	15	10	100	60
Louisiana-Pacific *Portland, Ore.*	55	70	−21	10	NA	NA	NA	NA	NA	NA
Hearin Forest Industries *Portland, Ore.*	52	52	0	1	NA	NA	NA	NA	38	38
Redwood Empire *Morgan Hill, Calif.*	52	50	4	3	750	NA	85	NA	150	110
Slaughter Brothers *Dallas*	50	60	−17	8	320	350	10	NA	140	180
Spartanburg Forest Products *Spartanburg, S.C.*	50	50	0	2	20	20	70	70	85	85
Dallas Wholesale Builders Supply *Dallas*	50	50	0	1	1,100	650	40	40	131	100
Totals and Averages	15,335	13,613	(12.6)							

*incorporates acquisition of U.S. Plywood **was acquired by Bunzl Building Material Service in March 1988 †*NHCN* estimate
‡calculated in U.S. currency; $1 U.S. = $1.24 Canadian

Source: *NHCN* research

NHCN chart

LBM distributors face market driven less by housing

By NHCN staff

NATIONAL REPORT — Lumber and building materials distributors in 1987 recognized the same trend that lumber producers discovered: The sale of their products is less dependent on new housing starts.

The top 50 commodities distributors listed by *NHCN* this year increased their aggregate volume by 12.6 percent, to $15.3 billion. And from industry leader Georgia-Pacific to family-run distributors, the repair and remodeling market and light industrial construction commanded a larger share of their companies' products.

Wholesaler executives said the strongest sign to them that the market changed was the kind of orders retailers made. They stressed higher grades of lumber and mixed-load shipments, both obvious signs of more material for remodeling and repair. As if reading from the same script, wholesale executives noted:

- "Customers really want better grades and a quality mix," said Aaron Modansky, president of Ajayem Lumber Corp. in Walden, N.Y. "There is a glut of lower grades and a demand for clear."
- "At one time, home centers were not too concerned about quality," said Darryl Bishop, manager of Slaughter Brothers' distribution center in Dallas. "But now the Home Depots, the Payless Cashways are quite quality conscious and the old-line lumberyards seem to have swung the other way."
- "Quality products and timely delivery have always been important to us," said Don Griffin, regional manager for ABC Dealer Supply Co., a drywall, roofing and siding distributor in Beloit, Wis. "Sixty percent of our business comes from retrofitting. Only gypsum seems to be construction oriented."

Diversified millwork wholesalers have also noticed the trend.

"There's certainly a trend to higher quality goods," said John Howard, vp of sales for Bunzl Building Material Service, Indianapolis, a company whose product mix includes such items as specialty millwork, caulks and adhesives. "Wood entry doors are selling for $1,200."

With housing starts off 11 percent in 1987, some lumber and building materials wholesale executives suggested that the increasing demand for products in the repair and remodeling market is forcing some to change operationally.

Indeed, distributors have found that modifications in their marketing and product mix are imperative in order to retain profitability in markets where sales of their merchandise could be softening in 1988.

"Last year was the seventh straight year of [sales] expansion for us, and I kind of believe we've peaked," said Richard Kasper, president of Amerhart Ltd. in Green Bay, Wis.

These changes include severing ties with mills that are unwilling or incapable of delivering good quality on time; requiring distribution yard personnel to double check bandings and packaging; improving their computers to accommodate mix-load orders and going into retail store to train employees.

Executives at other companies said the ability to send quality, mixed-loads is paramount.

"Right now we can send 10 to 15 lengths and sizes on one truck," said Michael P. Sereny, secretary and director of the Green Forest Lumber Corp., a Toronto-based wholesaler whose clients include the industry's largest retail buying co-ops., "You have to do that because it reduces inventory levels for retailers.

"But you also have to guarantee the ability to deliver not a single unit of discolored lumber. Not one board of weather-beaten stock."

Ted Buzalski, secretary-treasurer of the Hager Group, Grand Rapids, Mich., said his company is moving beyond its traditional lines of treated lumber and trusses towards such consumer items as lattice work, picnic tables and mail box posts.

But not everyone in the lumber and building materials distribution is convinced that the repair and remodeling market is consuming a larger portion of the industry's products.

Stuart Wells, president of Huttig Sash and Door Co., Chesterfield, Mo., a diversified millwork supplier whose sales jumped 21 percent in 1987, to $351 million, said it is difficult to tell how much of his company's sales gain is attributable to repair and remodeling.

(Continued on page 21)

Commodities distributors set sights on retail markets

(Continued from page 20)

"It's not that I dispute it. But it is almost impossible to determine the end-use of a door or window once we ship it to a retailer." He estimated that three-fifths of his company's products end up at new construction sites.

Another dissenter is Bob Heil, vp of building products for Babcock Lumber Co., Pittsburgh. Heil said it was vital that wholesalers continue to supply quality lumber products to the market, but the problem is that consumers aren't convinced that they need it. Therefore, lower grades continue to predominate in retail outlets.

Increasing competition

Regardless of the market that consumes their products, wholesale executives tended to describe their industry as increasingly competitive, where low margins and finicky retailers make everyday a challenging one. In addition, the growing clout of the buying co-op groups—including the hardware co-ops which have diversified into commodities distribution—is also pressuring the independent wholesale supplier to stay competitive and service oriented.

That the market is competitive from a composition view was evident in examining the industry's sales activity of the top 50 lumber and building material wholesalers. Georgia-Pacific and Weyerhaeuser accounted for 48 percent of total volume among the top 50 firms listed. In fact, Weyerhaeuser and Georgia-Pacific are the only distributors whose sales exceed $1 billion last year.

The next largest in sales is North Pacific Lumber in Portland, Ore., at $566 million. Adam Wholesalers in Cincinnati enjoyed the highest percentage sale increase—70 percent—to $242 million, followed by Universal Forest Products, whose volume grew 42 percent, to $356 million.

But most of the industry has its competitive eye on Bunzl, which went on an acquisition spree in 1987 that has continued into this year with its purchase of Stanline in California and DJ Inc. in Vermont. These two distributors did a total of $145 million in sales last year.

> "At one time, home centers were not too concerned about quality. But now the Home Depots, the Payless Cashways are quite quality conscious and the old-line lumberyards seem to have swung the other way."
>
> —Darryl Bishop, *manager, Slaughter Brothers*

Company	Sales (in $mil) 1987	1986	DCs	Retail customers 1987	1986	Employees 1987	1986
Grip-Rite International *White Plains, N.Y.*	206	180	16	15,000	15,000	300	300
Allied International *Janesville, Wis.*	69	69	4	1,500	1,500	300	300

NHCN research and chart

The listing of the industry's largest full line hardlines wholesalers appearing in the May 30 issue inadvertently left off the above two distributors.

Co-ops grow from mere order takers to market hunters

By John Caulfield

NATIONAL REPORT — The eight leading building materials buying groups increased their sales to affiliated dealers by 12.3 percent to $2.46 billion in 1987, and aggregate dealer count by 5.5 percent to 3,785 units.

Most of the buying groups' executives reported that higher sales and profitability came from improved service to dealers in the form of better delivery, quicker communication about ordering and billing and the implementation of more aggressive marketing tactics.

"We've basically gone from an order-taking organization to one that goes out into the market to get business," said Brent Pobanz, general manager for Central Builders Supply, the Sturgis, Mich.-based co-op whose sales grew 13 percent to $252 million last year.

Part of CBS's market strategy has taken the form of adding new managers to run its divisions. In the past year, the buying group has hired a new lumber director, Steve Boone; has developed a new gypsum department under the direction of Jim Braxton; and has brought on a new management systems director, Steve Olmstead, and new specialty building materials director, Gary Smith.

Philadelphia Reserve, based in Croydon, Pa., opened its first buying office in Greensboro, N.C., this January specifically for its dealers to purchase Southern yellow pine.

"It's not a warehouse," said Frank Dalinski, president of the co-op which already operates two DCs that stock 2,500 stockkeeping units. "It's part of the better service we're giving our members," about 50 percent of whom are currently buying through this new office.

Philadelphia is also in the process of building a new, 18,000-square-foot corporate office complex that is scheduled for completion this September.

On a more mundane but no less important level, more co-ops have made internal refinements in their inventory management and are now providing their dealers with facsimile machines for lightning-fast ordering and billing capabilities and to disseminate product and other information quickly throughout their network.

Allied Building Stores in Louisiana did a line-by-line assessment of all 4,500 stockkeeping units it offers out of its 65,000-square-foot warehouse to determine what mix would be more profitable for its customers.

As a result, the co-op—whose members operate in the still-depressed Oil Patch—achieved record profitability in 1987, according to Allied's president Laddie Woods.

Progressive Affiliated Lumbermen (PAL), the Grand Rapids, Mich.-based buying group that enjoyed the highest percentage sales gain of the eight firms tracked last year, has been selling FAX machines, interest-free, to its dealers. Seventy-five percent of its dealers now use them, according to PAL's president Bill Danzig.

But improved services and controls weren't the only reason buying groups were successful in 1987. Many have expanded their businesses by throwing their net out to capture predominantly hardlines dealers. For instance, a few years ago PAL struck an agreement with L. G. Cook, the hardlines wholesaler, to supply Cook's dealers with commodities. Danzig said that since this arrangement was made, "we've seen an average of 23 percent to 24 percent more business each year" from dealers buying through Cook.

Sources familiar with the company report that Lumbermen Merchandising Corp. (ELMCO), the Wayne, Pa.-based building materials buying group that is the industry's largest, is working with Decatur-Hopkins, the Taunton, Mass.-based hardlines wholesaler. (ELMCO officials declined to comment on this.)

The best known example of this cross fertilization occurred when Builder Marts of America, the Greenville, S.C., dealer services group, agreed to begin purchasing commodities for the franchised dealers serviced by CoastAmerica, the Denver-based buying group.

"We would expect the Coast arrangement to have a significant impact on our sales in 1989," said Paul Dodge, president of BMA's dealer division.

The Coast deal came at an auspicious time for BMA, as it lost some sales from the spinoff of Jim White Lumber Co., a wholesale firm that partly went to the A.C. Dutton Co. in Florida and to White's management in Michigan.

Nevertheless, BMA was able to increase its dealer count by 125 units to 1,850, no doubt propelled by new business from Coast to Coast dealers.

One of the reasons these co-ops are turning to hardlines dealers for business is that finding new ways to expand with existing dealers has been tougher than usual, since the commodities market has softened a bit in recent months due to the dropoff in home building nationwide.

In addition, the hardlines co-ops have made great strides in developing commodities distribution programs of their own and have become a major threat to building materials buying groups.

"These hardware guys are really after our membership, and that's going to get more competitive," said Bill Sherry, president of ENAP, the Newburgh, N.Y.-based co-op whose sales rose 22 percent in 1987, to $239 million.

To counter this new competitive thrust, ENAP hired a new field sales representative, Paul Smith, to drum up new membership.

The co-ops are hoping that the addition of new dealers will offset the weakness in sales of building materials used for home construction.

"Things were kind of drifting down in late 1987; the market is overbuilt and prices have softened," noted Robert Matthews, executive vp for Independent Builders Supply Association, based in Smithfield, N.C.

However, Matthews echoed the surprising optimism that was expressed by the co-ops' executives about 1988. "We really can't complain because business is still pretty good."

"January and February were off, but March was pretty good and April was above last year," added BMA's Dodge. "We think we've turned the corner, but 1988 will be a competitive year."

Building Materials Co-op Listing

Company	Sales Mil. $ 1987	(%)	1986	% LBM 1987	1986	No. dealers 1987	1986	% of sales from HCs 1987	1986	employees 1987	1986
Lumbermen's Merchandising Corp.*	920	(15.0)	800	80	80	600	575	45	45	130	130
Builder Marts of America**	500	(0.0)	500	80	75	1,850	1,725	13	10	199	197
Central Builders Supply	252	(13.0)	223	100	100	525	508	80	80	50	45
ENAP	239	(24.5)	192	100	100	145	127	60	60	60	42
Allied Building Stores†	138	(5.3)	131	80	80	160	160	40	25	50	50
Progressive Affiliated Lumbermen	162	(24.6)	130	100	100	216	213	100	100	22	18
Philadelphia Reserve Supply†	160	(23.1)	130	90	90	189	186	80	70	42	42
Independent Builders Supply Association	89	(4.7)	85	85	85	100	93	65	65	11	11
Totals and Averages	**2,460**	**(12.3)**	**2,191**	**89**	**88**	**3,785**	**3,587**	**60**	**57**	**564**	**535**

**NHCN estimate*
**BMA is employee owned. Sales in 1986 and 1987 have been adjusted to reflect the spinoff of the Jim White Lumber Co. (see story)
†These buying groups have warehouse/distribution facilities. The others do not.

NHCN chart

NBMDA says industry still strong despite 'warning flags'

By an NHCN staff editor

NATIONAL REPORT — Building material distributors were reasonably successful in 1986, with sales increasing by 12.1 percent.

And it appears that larger commodities distributors, which experienced a faster sales growth rate over the past 10 years than smaller wholesalers, have come to rely more heavily on direct shipment of products to spur their volume gains.

The above findings are included in a report entitled "Performance Analysis Trends" for the years 1977 to 1987, sponsored by the National Building Materials Distributors Association (NBMDA).

The report is based on a survey conducted by Management Foresight, the Columbus, Ohio based-research firm, for the NBMDA in 1986. In all, 78 member firms, whose sales total $1.2 billion, responded to the survey.

The study showed that the industry grew strongly and was able to achieve a good return on net worth, increasing 10.57 percent above the previous year, its best performance since 1979. However, wholesalers saw their net profit margin decline for the third straight year to only 0.96 percent in 1986. This, plus their below average return on assets and increasing reliance on debt financing, raise "cautionary flags" about the future.

The report expressed concern that the aggregate return on assets among the respondents was up to only 3.76 percent in 1986, well below the 1983 and 1984 levels.

Net profit margin on sales was so marginal because overall gross profit margins declined more rapidly than operating expenses.

"The industry is beginning to look more and more like a supermarket [industry] with very thin profit margins and high asset turnovers. You can't compensate for a zero profit no matter how fast you turn your assets," wrote Dr. Peter L. Mullins of Management Foresight in the report.

The firms in the study reported that their direct shipments, as a portion of total distribution, have generally been around 16 percent over the past decade. However, the survey reported that "the weighted average direct sales percentage has been in the 25 to 30 percent range. This indicates that the larger firms in the survey rely more heavily on direct sales."

The study noted that larger firms in the industry grew about 1.6 percentage points faster in 1986 than did smaller firms, to which direct shipment no doubt contributed.

The industry's total asset turnover reached a 10-year high at 3.55 times in 1986. This is probably as much an indicator of the continuing pressure on profit margins as anything. Managers are exploring every avenue to compensate for declining profit margins.

Inventory remains the largest asset of most building material distributors, and the average firm had 43 percent of its total assets invested in inventory in 1986.

The survey's respondents had their best record of accounts receivable in several years, with a 1986 level of 38.5 days, a shorter collection period than is typical for most wholesale distributors.

The major reason the industry was able to achieve an above average return on net worth last year was its increased reliance on debt financing. The financial leverage multiplier increased from 2.43 times in 1985 to 2.56 times in 1986, probably an all time high, the study said.

> "The industry is beginning to look more like a supermarket, with very thin profit margins and high asset turnovers."
>
> — **Dr. Peter L. Mullins,** *Management Foresight*

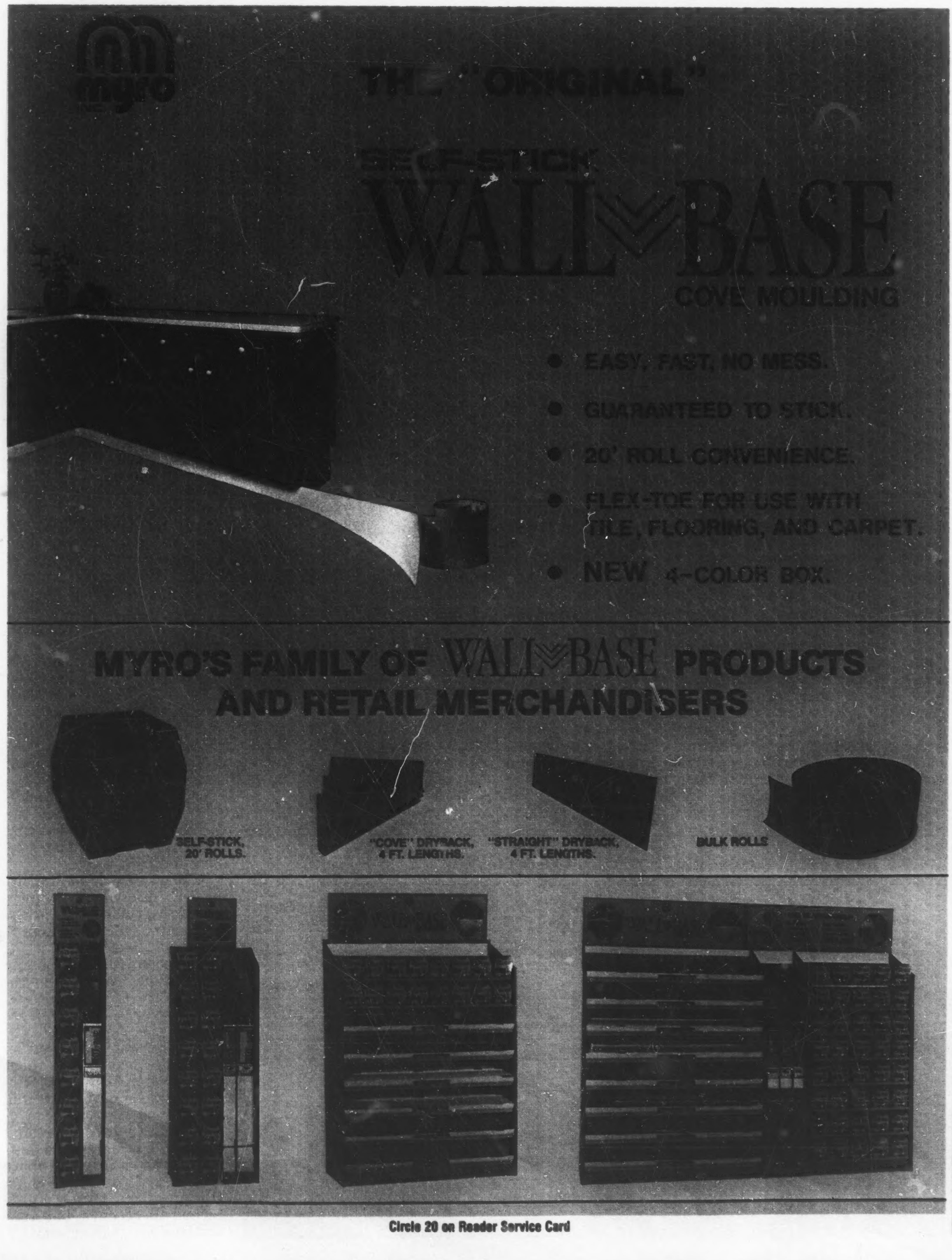
Overall industry growth has remained above the consumer price index (CPI) for the last 10 years, indicating a strong performance. The CPI increased by 6.63 percent per year between 1976 and 1986 compared with building material distribution sales, which increased by a compound annual rate of 9 to 10 percent.

The largest companies grew faster than the smaller ones, with a greater return on investment (ROI).

The report showed a shift in customer base over the last 10 years. The single unit lumberyard and hardware store has steadily increased in importance to represent nearly 55 percent of all the distributors' customers. Sales to retail chains and mass merchandisers have declined.

Sales to contractors, builders and applicators were the lowest for 10 years. These represented only 18.6 percent of the respondents' total customer/sales mix, compared to nearly 24 percent in 1979 and 26 percent in 1983.

Roofing and siding sales have increased to represent 22 percent of total sales in 1986, while lumber and plywood have declined from their former 30 percent high to only 20 percent. Insulation sales have fallen still farther, to only 6 percent of total industry sales.



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National retail market picture shows signs of change

By an NHCN staff editor

NATIONAL REPORT — The retail sales of hardware and building materials are expected to grow at a 6.7 percent rate this year, and California will, by far, continue to be the nation's largest market for these products.

However, according to data tabulated by *Editor & Publisher* magazine, it appears some traditionally strong markets for these items are beginning to tail off, with other cities and metropolitan areas emerging as the new growth pockets.

All told, $97.1 billion worth of hardlines and building materials are projected to be sold at retail in 1988. Thirty one states will have more than $1 billion in sales, with California over the $10 billion mark for the first time.

The top 50 metro markets will account for 41 percent of total retail sales, about the same percentage as in 1987. Despite its economic woes, home improvement sales in Texas continue to thrive, according to *E&P* data, as they do in fast-growing Florida and in New York.

Interestingly, states where economic times have been better are expected to have robust home improvement sales gains this year. For example, Utah—where home building is virtually nonexistent these days—is projected to enjoy 11 percent sales increases. Iowa, where farm-related businesses continue to be hurting, is expected to increase its sales of home improvement products by 16 percent, the highest percentage gain in the country.

Conversely, Massachusetts, Rhode Island and Connecticut, where unemployment is around 3 percent and home building has been booming, will experience only modest sales growth in these products.

That sales of home improvement products in Massachusetts and Connecticut will expand by only 2 and 3 percent, respectively, in 1988 is surprising, given *E&P's* estimate that the metropolitan area of Boston will expand its hardlines and commodities sales by 24.5 percent and Hartford, Conn.'s, market for these products will grow by 26 percent.

Indeed, it does not appear that the growth—or lack thereof—in metro areas or states is as closely correlated as it once was. For instance, New York's sales are projected to increase 9 percent, but Nassau-Suffolk, N.Y., is expected to see retail home improvement sales rise only 0.6 percent, despite the expansion into this market by Mr. Goodbuys, Home Depot, and Hechinger and the marketing blitz currently being executed by Pergament Home Centers there.

The Dallas-Fort Worth-Arlington market's percentage growth will be considerably less than Texas' as a whole.

And traditionally strong markets such as Minneapolis-St. Paul and Riverside-San Bernardino, Calif., are expected to have sales declines in these items.

What this could mean is that the retail sales growth for states has moved beyond the bigger cities into secondary markets where many home centers are now targeting their own store expansion.

Projection of Building Material and Hardware Retail Sales

States	1987 Bldg Mat'ls Sales Volume $ Mil.	1988 Bldg Mat'ls Sales Volume $ Mil.	% Change
California	$9,997,757	$10,791,437	7
Texas	7,509,681	8,186,329	8
Florida	5,162,129	5,650,467	9
New York	4,582,843	5,035,120	9
Illinois	3,618,849	3,840,915	6
Pennsylvania	3,612,726	3,764,572	4
Ohio	3,251,940	3,304,288	2
Michigan	2,910,076	3,228,616	10
North Carolina	2,986,589	3,008,706	1
Georgia	2,513,539	2,687,019	6
New Jersey	2,531,165	2,666,903	5
Massachusetts	2,312,185	2,367,428	2
Minnesota	2,319,704	2,359,060	2
Virginia	1,992,567	2,171,252	8
Indiana	1,935,689	2,106,810	8
Missouri	1,884,267	2,074,472	9
Louisiana	1,811,675	2,062,052	12
Washington	1,875,296	2,037,892	8
Wisconsin	1,835,569	1,912,585	4
Colorado	1,716,211	1,888,142	9
Tennessee	1,592,722	1,647,776	3
Maryland	1,486,190	1,514,491	2
Oklahoma	1,433,516	1,504,480	5
Arizona	1,438,382	1,491,799	4
Iowa	1,216,762	1,440,189	16
South Carolina	1,351,933	1,427,049	5
Alabama	1,305,816	1,393,991	6
Kentucky	1,271,250	1,330,516	4
Connecticut	1,283,859	1,322,763	3
Kansas	1,008,600	1,167,170	14
Oregon	922,787	1,019,000	9
Arkansas	841,886	902,357	7
Mississippi	847,374	854,168	1
Nebraska	708,287	827,001	14
New Mexico	712,666	770,792	8
West Virginia	667,297	763,813	13
New Hampshire	694,703	744,458	7
Utah	656,632	735,398	11
Alaska	633,406	638,160	1
Maine	586,375	600,681	2
Nevada	510,584	546,948	7
Montana	404,342	482,538	16
Idaho	427,215	471,813	9
North Dakota	406,991	423,181	4
South Dakota	339,656	368,370	8
Vermont	340,854	346,453	2
Rhode Island	320,001	332,005	4
Wyoming	305,203	324,820	6
Delaware	278,697	308,184	10
Hawaii	261,098	288,159	9
Totals	90.6 billion	97.1 billion	7

Source: *Editor and Publisher estimates*

NHCN chart

Top Metropolitan Markets Building Materials and Hardware Retail Sales

Metro Area	1987 Bldg Mat'ls Sales Volume $ Mil.	1988 Bldg Mat'ls Sales Volume $ Mil.	% Change
Los Angeles	$2,290.5	$2,594.3	11.7
Chicago	1,667.3	1,760.6	5.3
Houston	1,283.8	1,621.8	20.8
New York	1,315.2	1,574.3	16.5
Boston	1,149.6	1,521.8	24.5
Philadelphia	1,433.7	1,441.9	0.6
Atlanta	1,320.2	1,376.9	4.1
Detroit	1,191.6	1,306.5	8.8
Nassau-Suffolk, N.Y.	1,182.6	1,190.2	0.6
Washington D.C.	1,099.6	1,172.2	6.2
Anaheim/Santa Anna, Calif.	1,008.1	1,148.7	12.2
Minneapolis/St. Paul, Minn.	1,169.7	1,138.7	– 2.7
Dallas	1,056.7	1,113.3	5.1
St. Louis	901.1	943.5	4.5
Phoenix	887.6	911.0	2.6
Riverside/San Bernardino, Calif.	911.1	898.9	– 1.4
Denver	785.6	880.0	10.7
Tampa/St. Petersburg, Fla.	788.3	841.1	6.3
Seattle	778.0	838.6	7.2
Oakland, Calif.	731.3	765.9	4.5
San Diego	800.1	760.3	– 5.2
Baltimore	708.2	713.3	0.7
San Jose, Calif.	555.5	665.0	16.5
Pittsburgh	555.9	633.5	12.2
Miami/Hialeah, Fla.	473.4	622.8	24.0
Sacramento	600.6	619.8	3.1
Newark, N.J.	576.8	607.1	5.0
San Francisco	528.2	603.1	12.4
Oklahoma City	517.4	571.6	9.5
Ft. Worth/Arlington, Texas	576.8	561.5	– 2.7
Kansas City, Mo.	548.7	560.1	2.0
Austin, Texas	559.0	550.1	– 1.6
San Antonio, Texas	536.2	544.9	1.6
Orlando, Fla.	512.5	542.3	5.5
Charlotte, N.C.	472.3	495.1	4.6
Bergen-Passaic, N.J.	459.6	490.4	6.3
Ft. Lauderdale/Hollywood, Fla.	429.7	483.0	11.0
Cleveland	487.4	479.2	– 1.7
Indianapolis	418.6	467.3	10.4
New Orleans	398.8	461.8	13.6
Salt Lake City	406.4	454.1	10.5
Cincinnati	448.3	451.2	0.6
Norfolk/Virginia Beach, Va.	411.7	451.1	8.7
Columbus, Ohio	422.8	424.0	0.3
Hartford, Conn.	311.7	421.5	26.0
Milwaukee	407.2	411.2	1.0
Monmouth-Ocean, N.J.	391.3	393.1	0.5
Anchorage, Alaska	360.5	386.0	6.6
Portland, Ore.	342.4	338.5	– 1.2
Totals	37,170	40,203	7.5

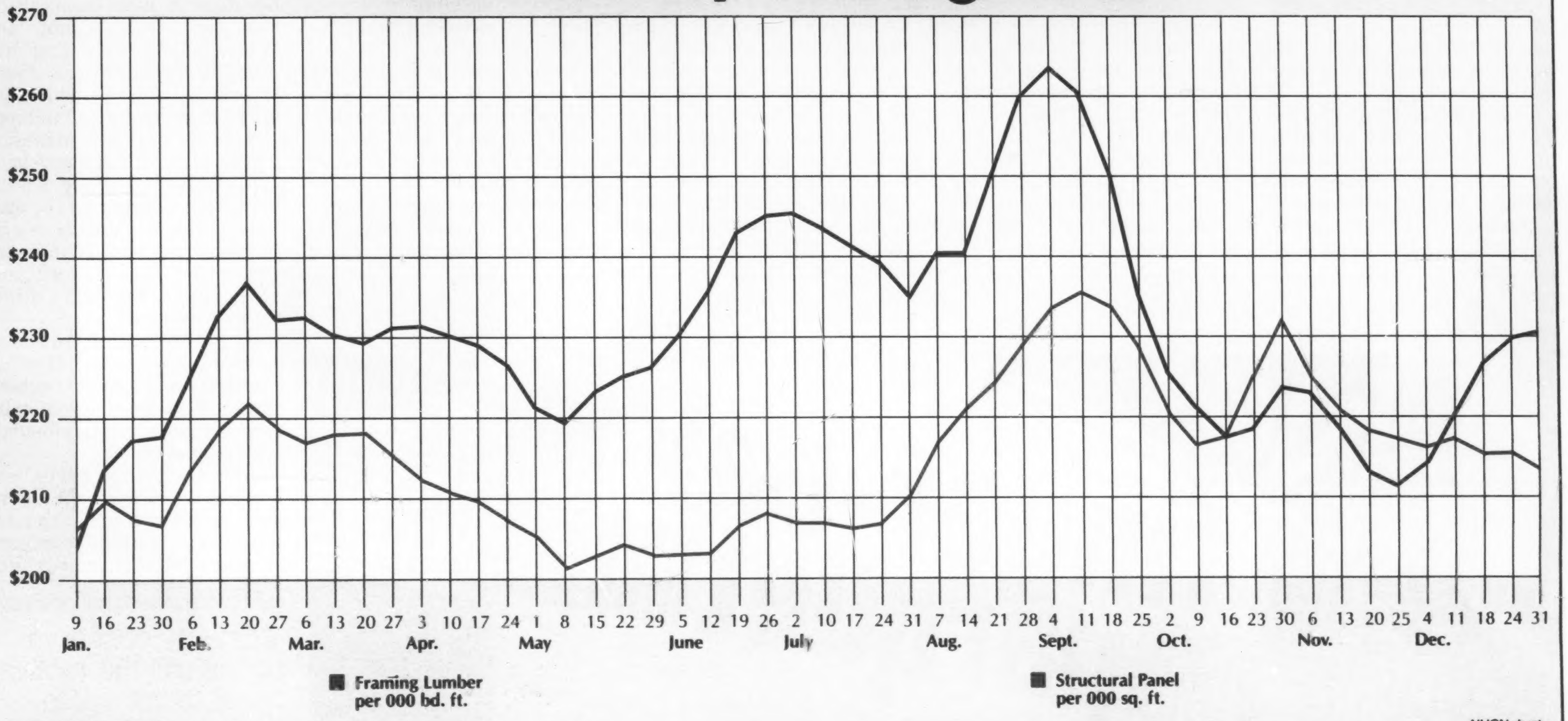
Source: *Editor and Publisher estimates*

NHCN chart

Perspectives

census/commodities

1987 Weekly Trading Prices



Source: *Random Lengths*

NHCN chart

New housing no longer driving force in LBM production

A short blurb in Georgia-Pacific's 1987 Annual Review said it best. It was a comment that was germane to G-P but in a larger sense it characterized the momentum of an industry.

"New housing is no longer the driving force behind Georgia-Pacific's building products," the statement read. The statement went on to say that home improvement markets and industrial accounts "offset the decline in new residential construction" for the company's products.

What G-P and other industry observers acknowledged by the time 1987 ended was that the time-honored relationship between lumber consumption and new housing starts was no longer written in stone.

In a year that witnessed the third consecutive annual production record in North American lumber, by more than 60 billion board feet, the repair and remodeling market, exports and industrial end uses outstripped that of housing.

Of the 50.3 billion board feet of lumber consumed in the U.S. last year, more than 15.1 billion went to the repair and remodeling market, according to the Western Wood Products Association (WWPA). The WWPA, however, expects demand in the repair and remodeling market to increase slightly in 1988.

The American Plywood Association reported that nearly a third of all structural panel products produced last year, some 4.3 billion square feet, were consumed in the repair and remodeling market. This sector is expected to grow to 4.4 billion this year.

The rise in production was also accompanied by some of the highest trading prices. Not since 1983 has *Random Lengths'* framing lumber composite hit the levels it reached last year.

During a three week period between August and September, *Random Lengths* framing lumber composite rose $10 a thousand board feet before capping out at $263 a thousand board feet. Prices had not been that high since May 1983, when the composite hit $266 a thousand board feet.

In 1986, the highest the composite rose was $240 in mid-April. Analyst attributed the high price levels in 1987 to strong demand, the absorption of the 15 percent Canadian tariff and record-setting exports to overseas markets, especially Japan.

Among the lumber products that played a pivotal role in the industry's transition was that of treated lumber.

More than 6 billion board feet of lumber was treated in 1987, a 15 to 17 percent increase over last year. Of the amount produced, 80 to 90 percent was Southern pine. The treated lumber market was so hot in 1987 that some wholesalers and retailers scampered for product for weeks before finding supplies.

But one of the unexpected developments from the demand for decking material was the return of redwood to retailers east of the Mississippi. For years, redwood's higher production costs and shipping charges made it a prohibitive item for retailers to stock. Redwood manufacturers began kiln drying the product in 1987, thereby lowering freight charges and making the product more cost competitive with treated lumber.

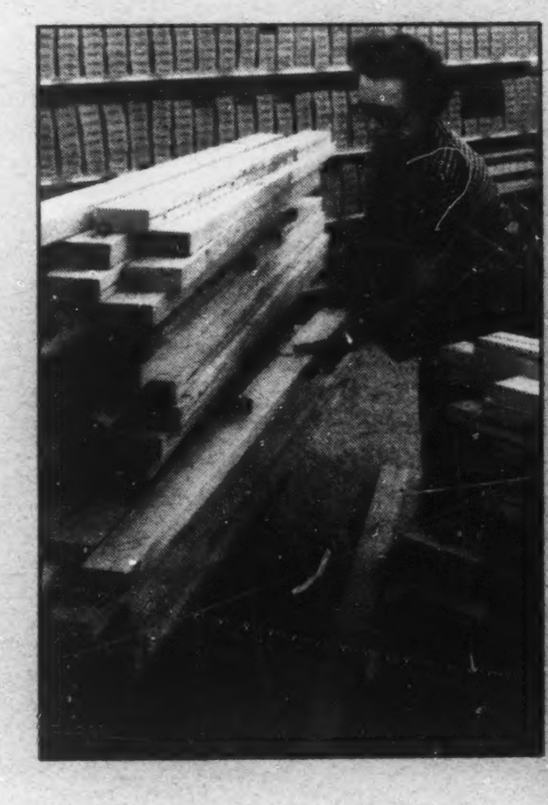
Forest products producers and retailers face some formidable supply challenges in 1988, most of which are expected to materialize during the height of the summer building season.

At the top of the list are the expected mill strikes in the Pacific Northwest and British Columbia, where some 80,000 mill and forest workers begin negotiating new contracts. Workers are expected to demand wage restoration from Weyerhaeuser, in particular, where the company has reported earnings improvements for the past two years.

The federal proposals to reduce the amount of federally owned commercial forestland by 20 percent will also affect the supply levels. Environmental groups have already succeeded with legal challenges to halt timber operations in some forest in Oregon and Washington.

Drought conditions and the likelihood of another summer of forest fires are also thought to affect availability.

1987 was the first year most forest products producers realized new housing was no longer the primary driving force in their markets. *NHCN* photo



BUILDING LUMBER

Of the more than 50 million board feet of lumber consumed in the U.S. last year, fully 30 percent went to home centers and the repair and remodeling market, not to new housing construction. That number is expected to increase in 1988, according to the Western Wood Products Association. *NHCN* photos

Manufacturers push energy savings to sell insulation

In 1987 competition between insulation suppliers intensified as each pushed its products through heavy promotions.

Predictions are that 1988 may be a flatter year given the slower new housing market, rising interest rates and doubts about the economy.

But with the Department of Energy upgrading the recommended levels of insulation throughout the U.S. for existing homes and the new CABO codes for new home insulation, dealers may have just the selling tool they need for future sales.

"Energy conservation is still the motivational-factor relation to the comfort of the home," said Tom Newton, marketing manager for CertainTeed, Valley Forge, Pa.

All three major fiberglass manufacturers continue to promote the product heavily, with CertainTeed and Owens-Corning Fiberglas both conducting their strongest fall promotions ever, based on pounds of insulation sold.

Manville, the Denver-based supplier, ran its first premium giveaway offering four different prizes based on customer purchases of R-19 insulation.

The promotions succeeded in bringing more visibility to the product in the stores, particularly through point of purchase displays, and dealers devoted more advertising space in circulars and ROP to the product category.

And it appears that the main giants are going to be faced with new competition this year from Knauf, the West German firm that has been marketing in this country since 1978 and which, on May 11, opened a $50 million, 750,000-square-foot manufacturing plant in Lanett, Ala.

"This facility is significant because it testifies to the success of Knauf Fiber Glass by virtue of our need to increase capacity," said a confident Thies Knauf, the firm's director and co-owner.

From its market research Toledo, Ohio-based Owens-Corning found that 55 percent of its customers bought insulation specifically for reinsulating application.

CertainTeed's research, however, showed that consumers were buying smaller amounts of insulation as part of a larger DIY project. For example, when remodeling a kitchen, consumers would decide to add kraft-faced R-11 insulation in the walls.

> “Energy conservation is still the motivational factor . . . in [home comfort].”
>
> —**Tom Newton,**
> *marketing manager, CertainTeed*

To meet this need, CertainTeed introduced a new small 50-square-foot package of R-11 insulation this spring. It is available in either unfaced, kraft, or foil. It includes built-in handles and encourages impulse buying.

Dealers are beginning to differentiate between their insulation customers, realizing that consumers and contractors have different needs.

This spring Owens-Corning introduced four precut insulation products for contractors. These are compression-packed in a polyethlyene sleeve known as SpaceSaver packaging so that retailers can store 40 percent more product in the same space. The bags can also be stacked without bins and racks, and permit faster and more accurate inventory control. The packaging also speeds loading and unloading.

The company, however, has maintained its roll insulation for consumers.

Dealers are still trying to educate the consumer about insulation, and this has been helped in part by a resurgence in free energy audits by local utility companies, which identify for the homeowner areas that need to be insulated, recommend R values and tell where to buy supplies.

Dealers are now running project-cost ad charts in their ROP advertising showing consumers how much insulation is needed for different projects and what it will cost. There is also a greater use of in-store, how-to videos, which give consumers step by step directions on insulation and the costs involved.

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Perspectives

census/commodities

Unconventional distribution seizes gypsum category

Falling prices and shifting distribution patterns to meet demand characterized the gypsum wallboard industry last year and, say executives, the same should hold true for 1988.

And for the first time in years, product changes are underway.

Furman Lumber, the Boston-based lumber and building materials distributor, expects to introduce its patented solid paper and gypsum wallboard soon. Louisiana-Pacific will break ground in the U.S. market next year with a gypsum, paper and wood fiberboard. And Georgia-Pacific, first out with a fiberglass-faced product for exterior use, expects others to follow soon. But that's where the sector's excitement ends.

"There's more capacity than shipments," observes Robert Doran, director of market research and planning for Gold Bond (National Gypsum). Indeed, the Gypsum Association in Chicago cites capacity last year of 23.37 billion square feet but actual production of just 20.6 billion square feet, and less than that actually sold.

However, it doesn't necessarily follow that the major suppliers—including USG and Domtar—will all of a sudden make more of a product whose margins are thin at current production levels.

Indeed, the growth in the category could be coming from the products that are used to apply it.

For example, USG, the Chicago-based supplier, owns a 33 percent share of the U.S. gypsum board market. But it is also the largest maker of plaster and joint treatment, and has just introduced its new "Plus 3" lightweight joint compound.

"The connections between these two businesses is where we see our marketing advantage," said Rand Haas, a USG spokesman.

In the category, the actual distribution of the fragile product is currently "unbalanced" and less of a locally-sourced market.

"Board is crossing nontraditional borders of distribution. If producers in the southwest can't get get their price, professional brokers will buy it from those plants, get it to the Northeast and hopefully make money," says Doran. "There was always maldistribution; now its more pronounced."

Furman, in the Northeast and itself a broker, noticed more mill-direct shipments around the country than in prior years and less brokering. And, where Furman was used to seeing just two brands around, new brand names (like Celotex, Republic and Temple) are appearing in their markets.

The shift was caused by the building slumps in the Southwest.

Sales and profits for vendors in 1988 are expected to be flat, according to vendors, although shipments are expected to increase, according to the Gypsum Association.

And "prices will probably be lower than 1986," speculates Rich Voile, vp of marketing, and Norm Gross, panel product manager, at Boston's Furman Lumber.

On a national scale, Doran says the violent swings in the housing market are expected to stop, and settling around 1.5 million housing starts this year.

"The cycle has gone out of the gypsum industry. But the commercial end has been depressed and will stay depressed," he notes.

The repair and remodeling market "continues to grow," but manufactured housing—i.e., mobile homes—demand will stay flat.

In the Northeast, notes Furman's Gross, growth in gypsum sales will be "flat at best." Already in 1988 there's a backlog of new housing and commercial properties, he says.

Roger Barker, gypsum product development manager at G-P, Atlanta, forecasts a "modest decline" in sales.

(One of the problems with judging the market size or price fluctuations in wallboard is its "pure" commodity status, explains Doran, with fewer than 10 people in the industry are able to truly differentiate unlabeled brands. So much of the product moves through retail and wholesale channels that accurate segment information from manufacturers is unavailable).

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Roofing suppliers count on specialty market for profits

Although the total residential roofing market will be flat or down by about three percent next year, suppliers project an increase of about 5 percent in the market for specialty roofing products.

The premium market is a new departure for suppliers used to products sold at the cheapest price.

Today competition is in producing and selling a shingle that looks dimensional and has a 25- or 30-year warranty.

Owens-Corning Fiberglas now produces a random cut and high-style dimensional shingle.

Celotex introduced its new lines of premium Presidential shingle this year. And GAF brought out a new slateline shingle.

Manville is varying the color and number of the granules on its three-tab shingle to give a different textured effect.

This specialty area is estimated to be about 10 percent of the $3.2 billion residential roofing market, according to Richard Snyder, executive vp for the Asphalt Roofing Manufacturers Association.

However, premium shingles do not sell themselves, and do not sell well in cash and carry outlets. Salesmen are needed to sell up the consumer and contractor.

Consumer education

Suppliers and dealers are taking a more active role in consumer education by producing booklets and posters.

Suppliers are holding remodeler workshops and producing videos to help the counter salesman and the contractor.

O-C produced three videos in the last year, two of which are geared specifically to the contractor.

One explains in detail how to install a roof and the other is for the roofing contractor to take into the consumer's home to discuss the types of product now available.

"The contractor is becoming more professional now he has a sales story, with different products he can offer," said Frank Belardo, product manager at GAF.

GAF refocused its advertising budget in 1988 to raise consumer awareness of the products available. It offered $100 rebates in an advertisement in the *Wall Street Journal* on its Timberline shingles and has begun an ambitious advertising campaign in shelter magazines.

To improve roofing sales dealers are trying to break the traditional roofing cycle by persuading consumers to reroof at any time and not wait for a problem or a leak that can do extensive damage.

Pressure on suppliers

The pressure is on the suppliers to stock the whole range of products.

"There is a trend for retailers to limit the number of suppliers and only work with suppliers who offer the full range of products," said Tom Kline, marketing manager at Celotex.

However, many retailers are cutting back on inventory levels looking to the the manufacturer or distributor to carry the full range for the retailer.

There remain great regional variations within the roofing market, and these different geographical pockets are being actively pursued.

In the Gulf of Mexico and Florida, fungus-resistant shingles are still important sellers and present dealers with the chance to upgrade the sale and boost margins.

Roofing

Est. retail market: $3.2 billion
Retail sales growth: 0 to 3 percent
Avg. turns: 6 to 7
Avg. gross margins: NA

NHCN chart

Within this category, suppliers are now offering more variety in both quality and color, according to Marsha Hannah, marketing manager for CertainTeed Corp.

Some companies are expanding their marketing efforts to introduce the treated architectural shingles into the West, including Texas, Arizona and Oklahoma.

The Midwest between Denver and Pittsburgh has lagged behind other areas in accepting fiberglass shingles, though dealers in this region have been aggressively promoting the product.

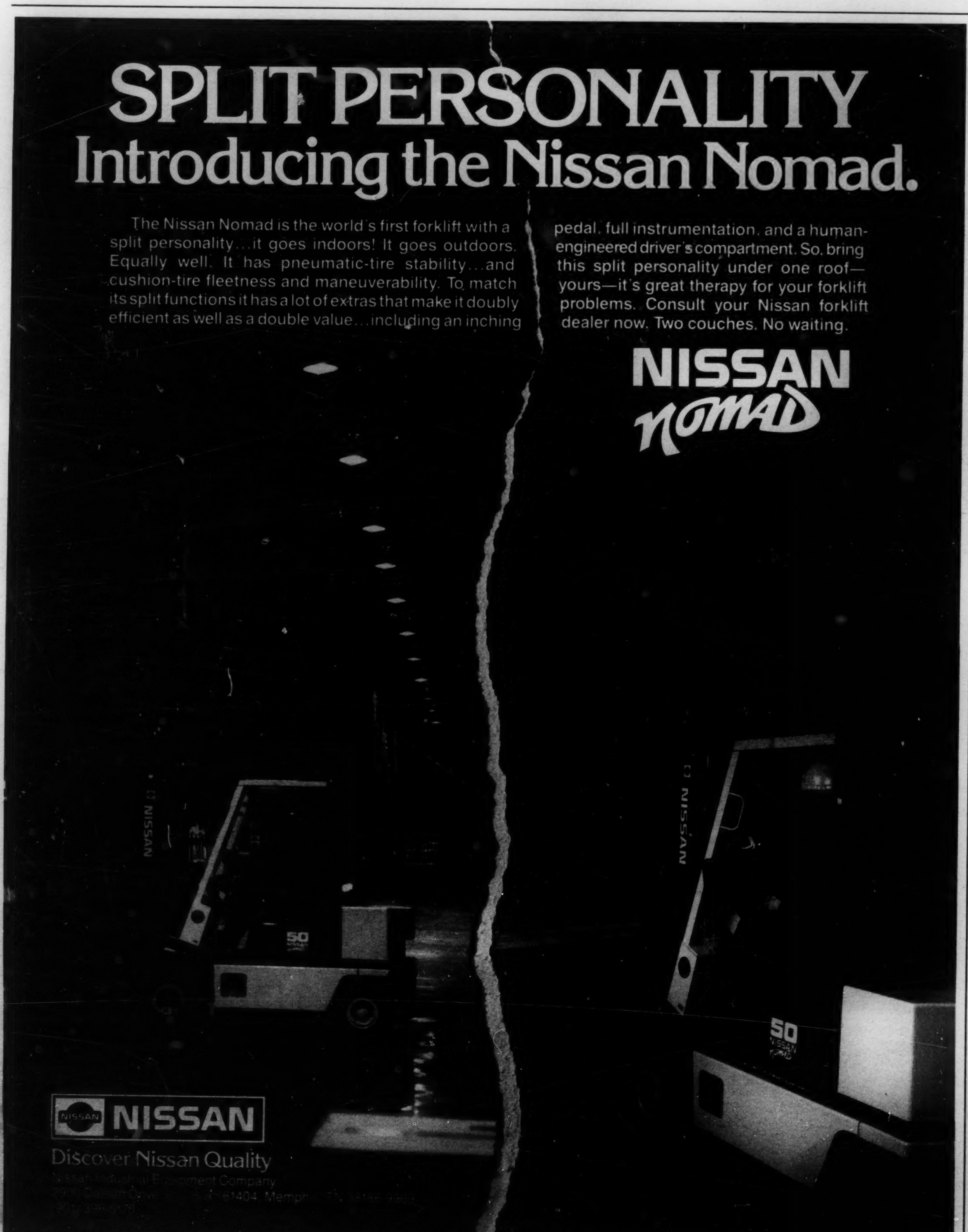
Northern market targeted

The northern market—particularly New England, which maintains strong new home building—has become a target for new roofing products and colors.

Manville is promoting its WeatherSeal shingles as suitable for the northern climates, because it seals at lower temperatures and therefore can be applied all year round.

In California, tile is very popular, but provides dealers with problem of handling and breakage.

Tin or metal roofing used largely for out-house building is gaining popularity in ski resort areas, and pockets of the sun belt find it attractive because of its durability.



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Circle 29 on Reader Service Card

New technology sets stage for thriving panel industry

By an NHCN staff editor

NATIONAL REPORT — Manufacturers of prefinished interior paneling report that their industry will be the next to prosper from technological advancement.

They are giddy in describing the array of new panel products their mills will soon be producing and are capable of producing, thanks to refinements in inks, printing techniques and laminating. The fruits of these advances are already rolling out of the mills, but the producers say the best is yet to come.

The payoff, they insist, will be increased retail sales in the ensuing years and a change in the DIY perception of paneling.

Moreover, the manufacturers say mill improvements are a good investment since, after years of ho-hum activity, the interior wall paneling category is finally starting to surge, led by the wide appreciation of the decorator lines.

Although luan-backed panels are said to account for nearly half of all prefinished panels production and sales, luan is just one of some four to five different substrates manufacturers are currently using in the intensely competitive category. Luan panels compete with products made of Masonite, particleboard, gypsum, hardwood plywood and even domestic softwood plywood.

Calls to some of the industry's major suppliers led to a general consensus that the prefinished interior wall paneling market—which includes all of the various substrates plus the wide varieties of wall planking—is probably a $750 million to $800 million retail sales market, with successful retailers enjoying about six to seven turns a year on a margin of 27 to 30 percent.

Some manufacturers, however, dispute those numbers. This group insists that the total market is less than $600 million and that the average retail turn is four to five times a year.

Whatever the correct numbers, most manufacturers believe the market could expand if retailers displayed the product more prominently and agreed to carry a higher end product. That is why many companies, particularly those in the Plywood Paneling Council—a promotional organization composed of seven of the top luan-backed producers—are investing in mill improvements to create expensive-looking panels, an investment that they hope will lead to higher priced products.

"Let's face it, retailers would like it a lot more if they could sell a panel for $17 rather than $4," said Russ Haan, president of Plywood Panels Inc. (PPI), New Orleans, La.

Although Weyerhaeuser has touted its laser printing line, other manufacturers such as PPI and Ply-Gem, New York, are on Weyerhaeuser's heels with printing and laminating techniques of their own.

In fact, some paneling executives purport that the entire industry is sharing the same technology and that there are few manufacturing innovations that are truly proprietary.

Instead, they talk about such concepts as "puffy" or "bulky" inks, which give the decorator line of panels a beaded texture when the ink dries. They talk about new kinds of coatings that make etching and printing on wood surfaces easier and sharper. And they are excited about the possibility of laser printing and its impact on the decorator lines.

Paneling

Est. retail market: $725 million
Retail Sales Growth: NA
Avg. turns: 5½
Avg. gross margin: 27 percent

NHCN chart

On the other side of the fence, the hardboard panel makers say their mills have also been infused with manufacturing breakthroughs, particularly when it comes to the plastic, tileboard lines that are used for kitchens and bathrooms.

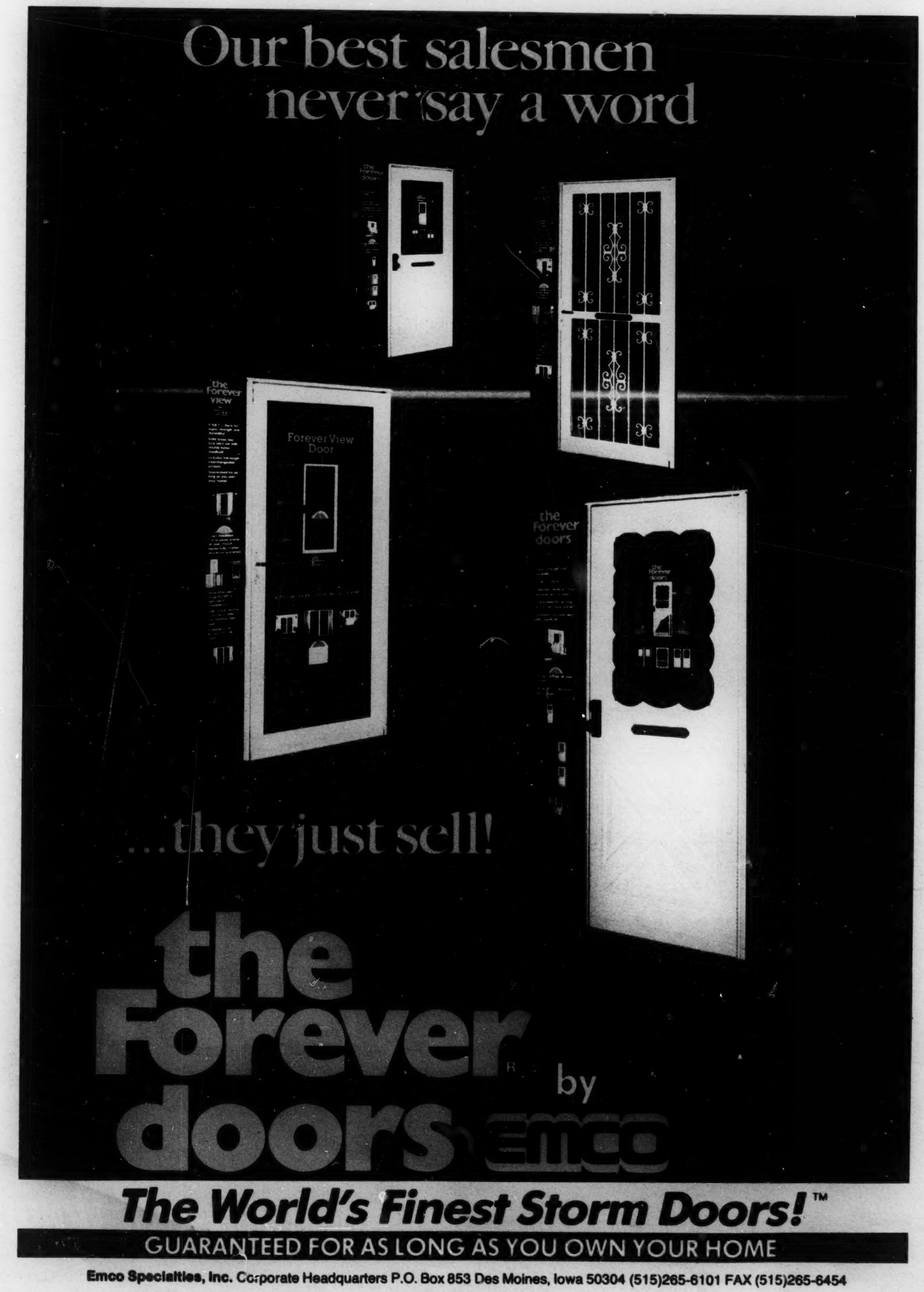
Dave Flynn, vp of dealer sales for Abitibi-Price, Troy, Mich., whose company is probably the largest hardboard panel producer, said refinements in embossing have allowed the company to sell retailers panels that are now selling strong in the $30 to $40 range.

"It's a price range we just didn't see five or six years ago," Flynn said.

All of these improvements are leading to the day when, like the exterior door manufacturers, paneling producers can move their clients up to higher priced panels.

But to do that, the manufacturers say they have to convince the retailers to take their products out of the building materials department.

To that end, nearly all of the manufacturers contacted for this article said they are devoting a considerable amount of time and money to help retailers display panels more effectively.



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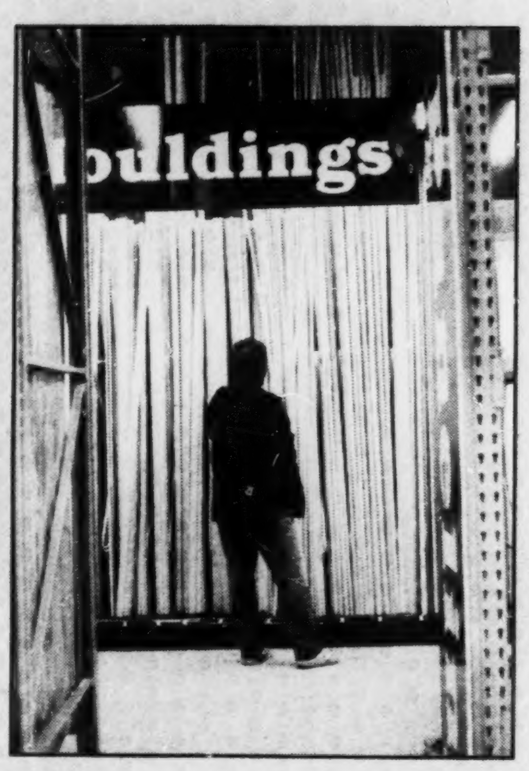
Return to 'traditional' styles helps boost mouldings sales

"Traditional" was a buzz word in mouldings last year, with a marked demand on the part of consumers to decorate while retailers and manufacturers culled lines.

"People are getting back into woods, . . . dressing things up," observed Mike Ellis, president of Decra-Mold in Oklahoma City. "Architects are specifying more moldings in rooms today."

American Lumber & Home Center in Middletown, N.J., sells architectural mouldings in an area of high-end homes near New York City, although it is finding the market for these premium mouldings is "trickling down" to less expensive homes in the area. NHCN photo



Consumers are returning to "traditional" styles in moulding, driving up demand for decorative products. Retailers have also noticed a return by architects to specifying wood in their projects. NHCN photo

Executives from the major moulding manufacturers agreed, saying the move to more traditional designs in unfinished products, like Colonial, and to more contemporary colors in prefinished products will fuel between 12 percent and 20 percent growth this year.

"Consumers are driving the demand for more decorative mouldings," said Art Ramey, executive vp of sales and marketing for D.G. Mouldings. Ramey said a resurgence in "traditional" values in the U.S. was driving sales of more traditional styles.

"Industrywide, wood grain paneling [sales aren't] growing, but trim sales are an important part of decorating in the home," observed Rick Wearne, moulding products manager at Abitibi-Price. "Moulding is being sold not just as moulding but as part of concept selling today. It's not just door casing but a 'grand entrance door system.' "

Along with a number of retailers and other manufacturers contacted, Gossen Corp. trimmed out its high-end dark- and medium-color Victorian lines. In turn it added lighter hues and entered the hardwood oak veneer line. Prefinished moulding colors are catching up with the "hot" decorator colors like slate blue and hues of purple.

> "Moulding is being sold not just as moulding, but as part of concept selling today. It's not just a door casing but a 'grand entrance door system.' "
>
> —**Rick Wearne,**
> *moulding products manager, Abitibi-Price*

With the elimination of some prefinished stockkeeping units at retail, more retailers switched to two-step distribution last year, noted Robert Simon, vp of sales and marketing at Gossen.

"The majority of retailers we were selling direct opted [in the last year] to go through distribution channels. They're looking for better turns," Simon said.

The executives agreed the larger chains and warehouse stores will stay on direct shipments although there appears to have been a weeding out of skus among the majors as well.

Retailers kept margins for the larger unfinished market strong last year, above 40 percent, while prefinished mouldings margins stayed right around 50 percent, vendors report. Aluminum extrusion mouldings maintained a product selling at a 50 percent margin but with fewer—approximately three—turns a year.

Unfinished mouldings inventories were expected to turn over eight times a year. Prefinished moulding turns ranged from three to six turns a year.

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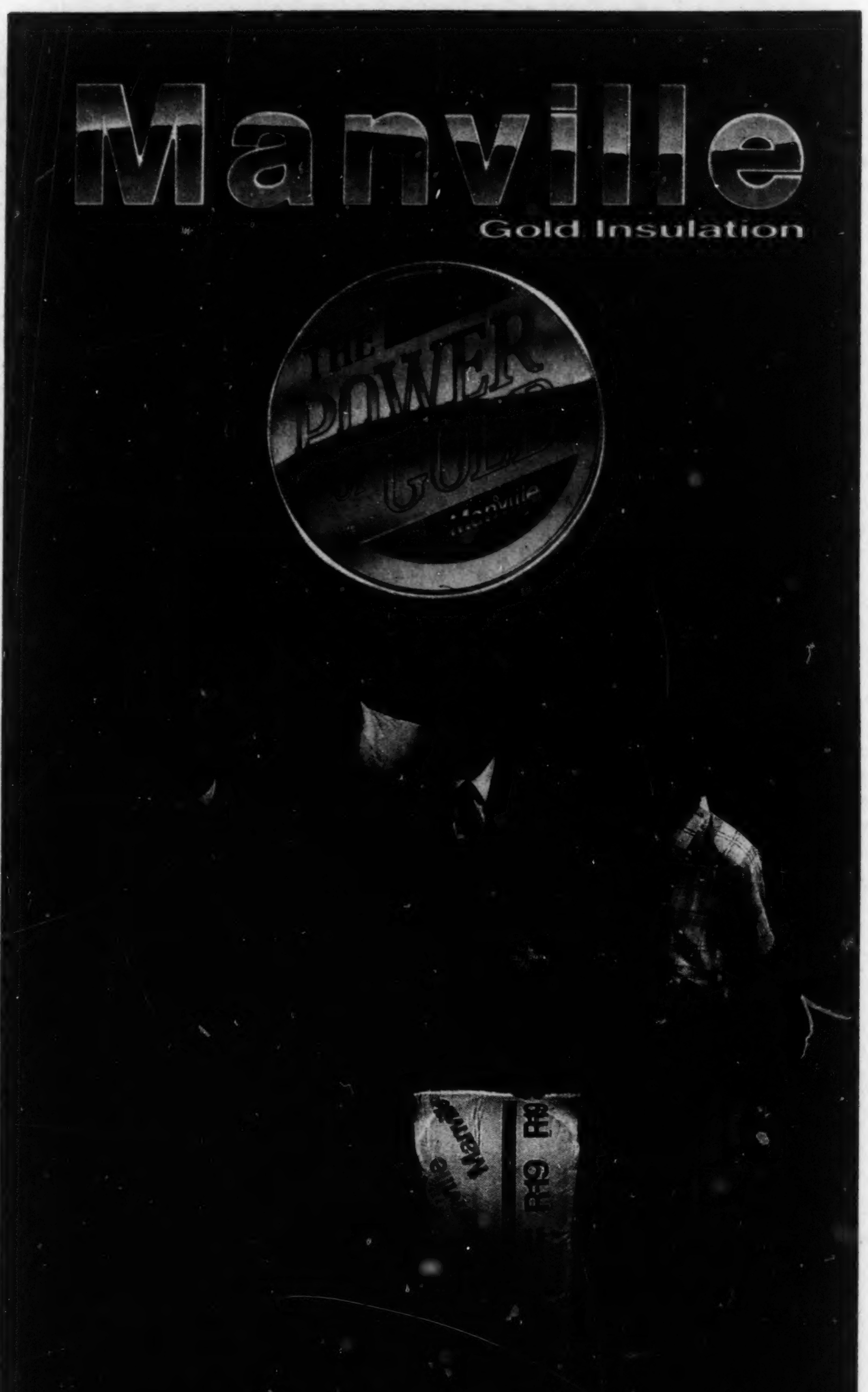

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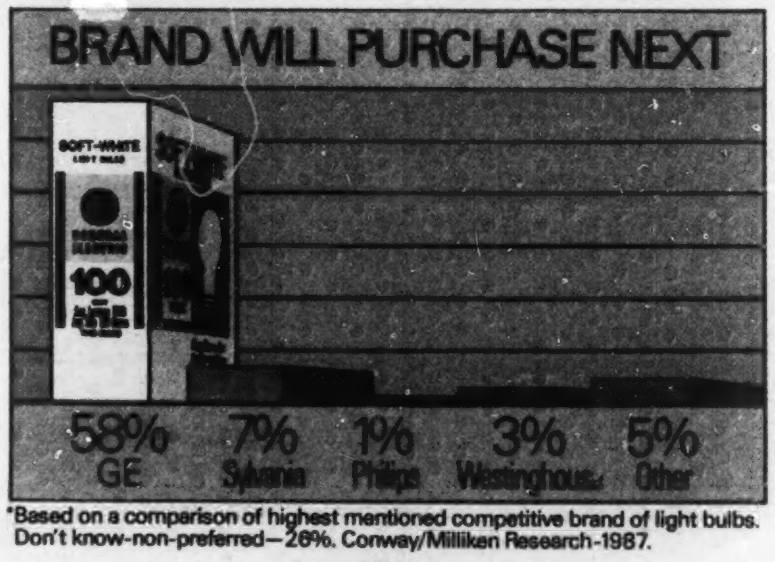

*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

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Wood, vinyl windows prosper at expense of aluminum

The window industry expects flat sales or modest gains this year, with wooden and vinyl windows continuing to succeed at the expense of aluminum.

"People want wood windows and want to show they're wood windows," said Jack Ulrich, manager of sales promotions for Andersen Corp., the Bayport, Minn., manufacturer.

Two-income families want to move up to wooden windows, said Larry Johnson, marketing manager for Caradco, the Rantoul, Ill., manufacturer.

"It adds prestige to anything it's connected with," Johnson said of wood.

He also said that housing starts may decline this year compared to 1987, but he noted that the market is strong for building higher end houses that usually have wooden windows.

People are choosing to build larger houses now, another boost for the wooden window business, Johnson said.

Windows

Est. retail market: $3.3 billion
Retail sales growth: 14 percent
Avg. turns: 4½
Avg. gross margin: 25 percent

NHCN chart

Susan Marvin, vp-sales and marketing at Minneapolis-based Marvin Windows, said starts will drop farthest in multifamily housing, a price sensitive market segment that seldom uses wooden windows.

Pella's marketing research manager, Verlan Den Adel, said wood and vinyl have gained share from aluminum for several years.

Vinyl makes gains

Den Adel's admission comes despite his Iowa-based company's position as the preferred aluminum window brand in a National Association of the Remodeling Industry (NARI) survey of professional installers.

Vinyl is making gains by offering customers nearly maintenance-free operation, manufacturer sources said.

Pella's Den Adel attributed some of vinyl's popularity to earlier acceptance in Europe.

Vinyl does well in replacement and remodeling, added Marvin.

"It came from nothing in 1980 to an estimated 25 percent of the market," Marvin said.

She noted, however, that high-pressure selling has succeeded for small companies in the vinyl window business.

Aluminum remains strong in the South, she said.

Window and door expenses

Windows and doors together still represent the biggest segment of spending on professional remodeling projects, according to NARI figures.

Projected 1987 volume was nearly $10.7 billion, up from $9 billion, the year before.

In a number of professionally installed projects for 1987, storm windows led with more than 25 million, followed by replacement windows with more than 23 million.

Other top projects were, in decreasing order, interior doors, storm doors, bathrooms, reroofing and kitchens.

In new products, wood has proved prominent in the last year.

Andersen has introduced Frenchwood wooden patio doors with a plastic film to protect the outside and natural wood on the interior, Ulrich said.

In January, Caradco introduced the Georgetown Collection of wooden doors and windows.

Energy-efficient Low-E glass continued to increase in market share, reaching more than 50 percent of the production of some companies.

Industry observers predicted even greater strides for Low-E in the event of another energy crisis.

Geometrics, including round tops, arches, hexagons and other shapes, remained important in the category, but manufacturers declined to estimate the product's market share.

Manufacturers agreed that window display has improved

(Continued on page 47)

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Steel strong-arms its way into niche of DIY door market

Steel is strengthening its niche in the DIY door market, according to several manufacturers of exterior doors.

Steel doors have captured about 40 percent of the exterior door market since 1980, according to LSI Systems, a research arm of F.W. Dodge. Wood doors account for the remainder.

"Our upper end of the steel door business is growing at the fastest pace it has grown in 10 years," said Tom Fening, marketing manager of Pease Industries in Fairfield, Ohio.

Steel plays bigger part

"Steel is playing a bigger part in the door industry," agreed John Vogus, product manager of Troy, Mich.-based Stanley Door Systems. "It is taking over some of the wood [sales] percentages."

He added, "Our marketing thrust is to build brand awareness that steel can be beautiful."

Nancy Roffey, communications director for Therma-Tru Corp., Toledo, Ohio, said that steel is already outdated in certain respects.

Therma-Tru's five-year-old "Fiber-Classic" made of compression-molded Fiberglas compound is "the door of the future," Roffey asserted.

"It looks like a solid oak door and has the durability and security of steel, but none of the problems associated with steel and wood."

Wood can "split, warp, crack and dent" and steel "looks so flat and cold," she said.

Will Biddle, subscriber relations manager for LSI Systems, said the steel versus wood debate boils down to "regional preferences."

"They use wood doors on the West Coast, while in Chicago, it is mostly a steel door market," he said. "In the South, it is a mixture of the two."

Steel Doors

Est. retail market: $390 million*
Retail Sales Growth: 15 percent
Avg. turns: 4 to 4½
Avg. gross margin: 22 to 40 percent

*NHCN estimates NHCN chart

Door demand by region

Joseph Bancroft, chairman of Croft Metals based in McComb, Miss., elaborated:

"In Florida, they go for plain doors. In Los Angeles, they spend a little more money for better design."

Manufacturers are attempting to find new materials for entry doors. One new idea is a composite door.

Door utilizes Fiberboard

Bob Jimerson, assistant millwork manager at Jeld-Wen, Klamath Falls, Ore., stated that his company makes an interior molded panel door which utilizes Fiberboard.

Jeld-Wen, which has made this interior door since 1972, is "still working on an exterior door that will perform," Jimerson said.

Of so-called composite doors, Biddle commented, "You can get much finer detail with that process but it also is easier to put your fist through it" than a wood or steel door.

Window market expects only modest gains

(Continued from page 46)

in most home centers.

"The retailers are becoming much more consumer-oriented," said Andersen's Ulrich. They're switching to a window and door boutique because that's the way the customer wants to shop.

The boutique trend began in specialty stores and spread to home centers as retailers devoted more space to the big-ticket merchandise, Ulrich said.

Marvin has debuted a program to help professional remodelers sell projects.

For sales presentations, the program includes a flip chart, corner samples, literature and a two-part video. The kit also includes advertising strategies.

Marvin also introduced a Computer Aided Design program to help architects quickly design windows.

This home features Louisiana-Pacific Cerra aluminum clad wood casement windows. [illegible]

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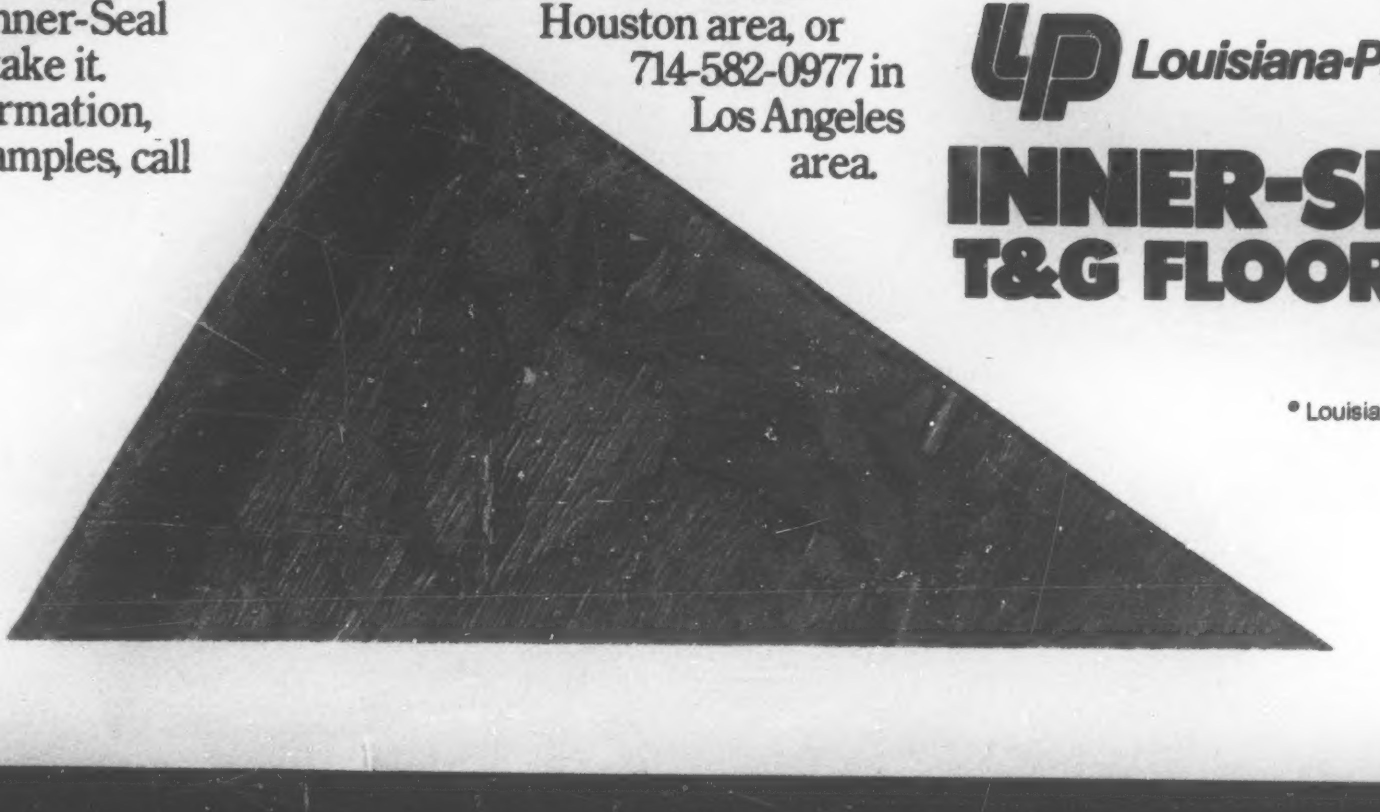

Door makers concentrate on DIY replacement market

With new housing construction in a downward trend, many door manufacturers are concentrating their efforts on the DIY replacement market.

The focus on repair and remodel—"R & R"—is growing while new construction-related door demand is declining, according to the National Wood, Window and Door Association (NWWDA).

The decrease in housing starts is forcing door manufacturers to refocus their emphasis, said Jim Benney, technical services manager for the Des Plaines, Ill.-based NWWDA.

The number of doors earmarked for the new construction market is "declining a bit due to the slowdown in home building," Benney said. "The door replacement market is growing."

Between 1984 and 1986, the number of door units increased 15 percent yearly, said Will Biddle, subscriber relations manager for LSI Systems, a research arm of F.W. Dodge based in Crofton, Md.

"There is tremendous interest in entry doors as a house's focal point—it's the first impression you get," said Nancy Roffey, communications director for Toledo-based Therma-Tru Corp.

Replacement doors are usually more upscale and expensive than a house's original doors. Customers who buy new doors want to express their individual taste and cost is not their top concern.

Keeping up with the Jones'

At independent Sundance Lumber in La Verne, Calif., co-owner John Huff said homeowners shopping for entry doors "usually want the same style as their next-door neighbor." Sundance special orders doors from several sources.

"Consumers are not harping on price alone—they are more interested in a door's features and benefits, such as energy efficiency," said Peter Hicks, communications manager for Dallas-based Atrium Door & Window Co.

"The R & R business is not as cost sensitive as new construction," added Dana Snyder, vp-sales and marketing for Rantoul, Ill.-based Caradco, which makes a line of patio doors.

The market shift to meet the needs of "move-up" homeowners has created door innovations, and also made doors more costly.

Door manufacturers are developing an array of products to meet this upscaling trend. Meanwhile, so-called "loss-leader" doors are being sold at near cost by some dealers as margins narrow on the cheaper doors.

Tightening margins reflect the competitiveness of doors in home centers. Joseph Bancroft, chairman of Croft Metals, McComb, Miss., said his company sells 110,000 doors a year to one multistate home center chain.

Pease Industries' wood door

At the upper end of the pricing spectrum is a prefinished wood door costing between $2,500 and $4,000 which will be introduced this summer by Pease Industries of Fairfield, Ohio. This door, available in oak, mahogany and teak, is a diversification away from Pease's steel door focus, said marketing manager Tom Fening.

Pease Industries has traditionally aimed most of its efforts at the high-end steel door market since designing the first residential steel insulating entry door 27 years ago.

Pease Industries' move into wood doors reflects what company officials believe to be "the swing into upscale housing," Fening said.

Diversification catches on

Atrium Door & Window has also joined the diversification bandwagon. Last year it expanded its product line to include entry doors for the first time since the company debuted its interior atrium doors in 1976. And it also introduced door hardware. "We see hardware as a great cross-merchandising opportunity for retailers who sell our atrium doors," spokesman Hicks said.

Door makers' aim at the remodeling end of the market appears to be timely.

NWWDA figures show a yearly decrease in the number of interior and exterior doors used in the new construction market.

Interior doors used in new construction totaled 24 million in 1987.

That number is forecast to drop to 22 million this year and to 21 million in 1989.

Number of R&R doors grow

Exterior doors used in new construction totaled 4 million in 1987 and is forecast to total 3.8 million this year and 3.5 million in 1989.

By contrast, the number of doors used in the repair and remodel market is seeing steady growth.

Interior doors used in R & R in 1987 totaled 8.7 million. The forecast is for 9.8 million units this year and 10.2 million in 1989.

Exterior doors used in R & R in 1987 totaled 3.5 million. This year, a total of 3.6 million units are forecast and in 1989, 3.7 million units will be used, according to NWWDA figures.

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Jump in 1Q paint sales doesn't augur major growth

The retail paint market, which over the past few years has grown at only a 3 percent to 4 percent clip, saw unusual sales activity in the first quarter of 1988.

That's the good news. The bad news is that the chemical used in all paint as a hiding agent, titanium dioxide (TiO_2), is again on allocation. The shortage could stunt the unexpected growth of the product simply because there isn't enough of the chemical to go around.

Similar growth patterns

"I was with a group of competitors a few weeks ago, and they all told me they were experiencing the same growth patterns," said Jim Edwards, technical director of consumer products for Valspar Corp., Minneapolis, whose Colony Paint line sales were up more than 12 percent in the first quarter.

"If TiO_2 remains in short supply, we could have some problems keeping up with demand."

$10.99
$11.99
$11.99

A shortage of the chemical titanium dioxide, used in all paint as a hiding agent, could stunt growth in the paint category. NHCN photo

Peter Balint, vp-marketing for Dutch Boy Paints in Cleveland, noted there were only a few producers of this chemical—DuPont being the main one. But Balint indicated that this was just one of those problems paint manufacturers had to "deal with," and that the allocation was based on a respective producer's volume. "Some companies are having a harder time than others getting the pigment."

Balint said he would be surprised if the retail paint market grew at more than 2 percent to 4 percent this year, anyway, so this allocation problem may turn out to be a momentary inconvenience for manufacturers in what is arguably the most competitive product category in the industry.

The emergence of stain as an alternative to paint, the effect government regulations will have on the kinds of paints that can be sold and the increasing sophistication of consumers about what they buy are all factors that manufacturers are expecting to impact the retail paint market in 1988.

At $2.3 billion to $2.5 billion in retail sales, paint continues to be a category in which dealers note high volume, low margins and severe price footballing. Glidden's Spred Sat-

(Continued on page 58)

Paint

Est. retail market: $2.3 to 2.5 billion

Retail sales growth: 2 to 4 percent

Avg. turns: 4 to 5

Avg. gross margin: 20 to 28 percent (On Sale)
35 to 40 percent (Off Sale)

NHCN chart

PAINT BRUSH SET
PAINT BRUSH SET
PAINT BRUSH SET

Dave Rowenkamp, senior vp-sales and marketing, Wooster Brush, Ohio, stresses the importance of educating consumers on applicator quality. NHCN photo

New attention is given to selling proper sundries

Dave Rowekamp sees more affluent young couples going back into city dwellings and renovating their homes.

"There's been a dramatic increase in the DIY market, and it's important for retailers to sell the proper applicators when the DIYers buy their paint," said the senior vp-sales and marketing for Wooster Brush in Ohio, who lamented that its still typical for a customer "to spend $18 on a gallon of paint, and then buy a 49-cent paint brush."

In order to overcome this problem, Wooster Brush—reputedly the largest producer of brushes in the country—gives training seminars to store sale clerks, and its instore display features a battery-operated talking sign, where DIYers listen to a tape that explains the proper brush for the proper paint.

Rowekamp noted that stores selling paint need to educate their consumers about applicators because if they buy a cheap brush and the job looks runny, they'll come back and complain about the paint, not the brush.

Other than seeking new fabric for brushes or new filament for rollers (in order to work with changing paint formulas), there's not much that manufacturers can do to alter brushes or rollers. However, sales can be increased through attractive displays. Sundries manufactures underscored the fact that display positioning is extremely important with impulse items such as,

(Continued on page 62)

Stricter safety, environmental rules concern adhesives makers

"If things keep going like this, we won't have anything on our packages except warning labels," said Daniel Nixa, manager of marketing and services for Macco Adhesives Group, Wickliffe, Ohio. "In some states, we even have to supply warning signs for stores."

Conforming with safety and environmental regulations is a growing concern of the adhesives, caulks and sealants industry. The government has become stricter about what can be labeled nonflammable, has created a new category called combustible and has required manufacturers to provide safety data sheets.

Manufacturers are altering formulas from harsh solvents to latex based, although some manufacturers feel that using latex detracts from the product's adhesive qualities; others feel they can change the formula and still make a high-quality product.

"We've changed our formulas to make them environmentally safer and we managed to do that without sacrificing quality," reported Loren Plotkin, product manager for Macklanburg-Duncan, Oklahoma City.

In some areas, like California, where there are major crackdowns on toxic dumping, manufacturers are being held responsible for illegal dumping when large job sites dispose products in a hazardous fashion. Cans coated with remnants of wood flooring adhesives were one example.

Besides dealing with strict-

(Continued on page 62)

DAP
Most trusted name in caulks, fillers & adhesives

Conforming with safety and environmental regulations is a growing concern of the adhesives, caulks and sealants industry. NHCN photo

Paint makers see dealers sell multiple national brands

(Continued from page 52)

in, said one industry analyst recently, may be the home improvement industry's single biggest unit volume selling line in all product categories, which gives some indication of what kind of business dealers are doing with paint.

However, several manufacturers are looking to differentiate their product lines to remove the stigma of "commodity" the category has been saddled with by dealers' frenzied pricing.

For example, Lucite Paints, the Bellevue, Wash.-based supplier, has been promoting the "Profit Enhancement Program," introduced at the 1987 Hardware Show, that allows dealers to build up an accrual fund, based on total purchases. It has been described by one company official as "our version of the frequent flyer."

Lucite has also been emphasizing the changes it has made in its labeling that company officials claim "differentiate" its product from other national brands.

"Commodity implies there's no differentiation in brand," explained Dutch Boy's Balint. "But we're seeing a trend by dealers to go with national brands, and using one that isn't sold as a loss leader." He alluded specifically to Scotty's, which for years sold only the regional Mobile paint line and is now stocking Glidden.

PPG Industries in Pittsburgh is also attempting to be dealers' "second brand," according to director of marketing Mike O'Malley. "We are not a footballed product, our marketing isn't set up that way and those people that want to sell us at the lowest price we've sometimes had to turned away from."

"What you see happening out there," said Valspar's Edwards, "is that the industry is offering a price to consumers: you get what you pay for. Competition is driving the need to bring out the low end, but that doesn't mean you get the same quality."

A common rule of thumb is that 70 percent of all paint is sold on sale, and sales, according to Glidden's director of marketing services Charles Carpenter, are what dealers use to lure home-owning couples into the store.

However, who that customer is and what he or she wants is not all that cut and dried anymore, as evinced by the new marketing campaign Dutch Boy introduced at the Home Center Show in March, which is aimed specifically at different age and income groups.

Carpenter noted that DIYers are becoming choosier when selecting exterior colors and they're experimenting more with complementary color schemes. In the interiors, DIYers are leaning towards muted tones—off whites, soft rose, grey, beige, peach, etc. Besides considering a color scheme, paint consumers want a product that's durable and easy to clean.

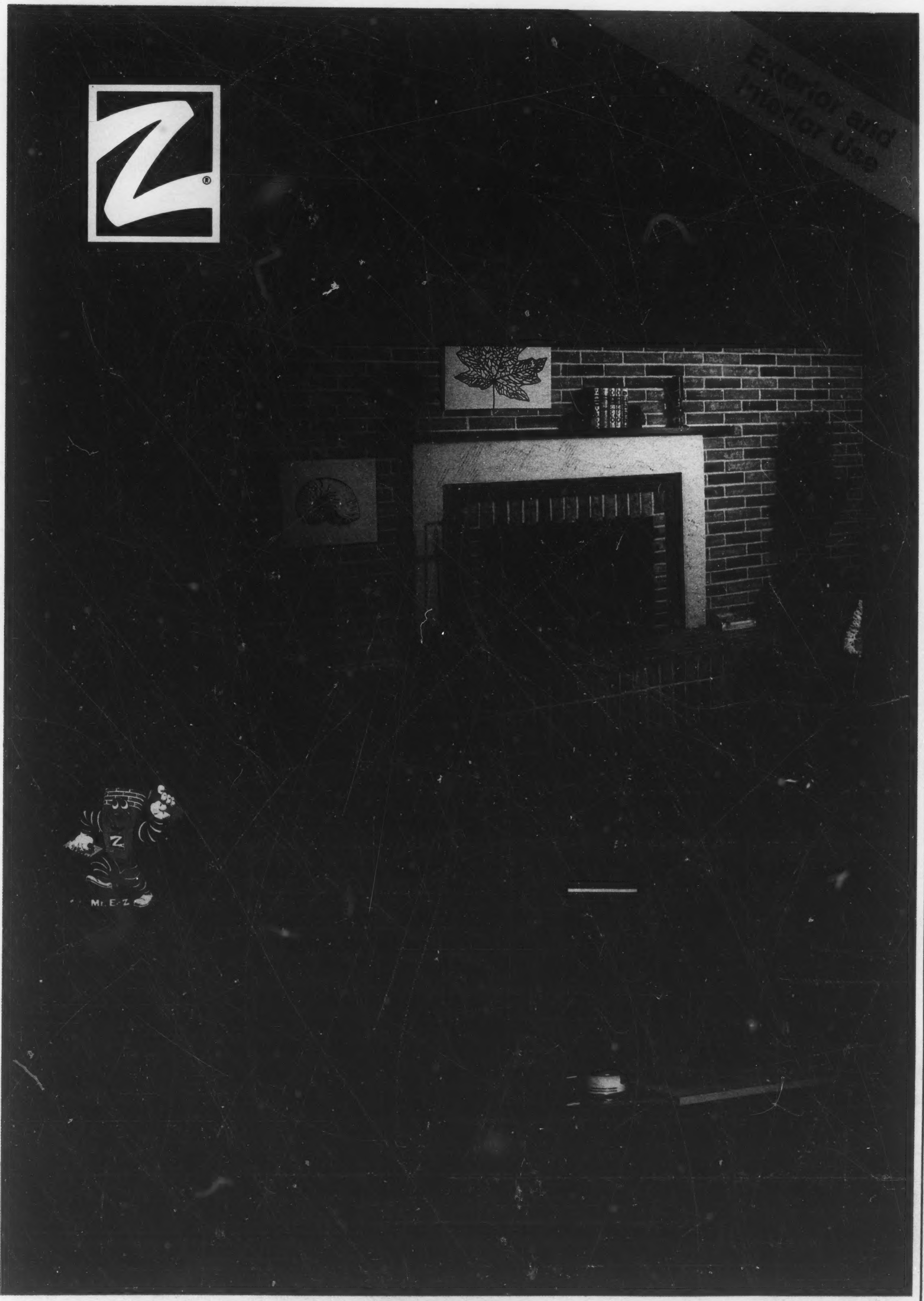
And, significantly, a good number of consumers are turning to stain, which according to O'Malley of PPG "is really starting to gain on the exterior paint market. If you look at the numbers closely, all the growth in exterior coverings is coming from stain."

Not surprisingly, many manufacturers are jumping into this market segment: Thompson's Water Seal and Rust-Oleum are using national television advertising to promote their new stain products; Glidden has also used print advertising to promote its own "Endurance" stain.

All this activity in an attempt by suppliers to cut into the huge market share maintained by Olympic HomeCare, which over the past several months has been conducting an aggressive marketing and ad campaign of its own.

But while companies look to wrest market share from each other, the whole industry has become more concerned over the pressure being exerted by federal and state legislatures to control what chemicals can be used in the production of paint.

"Government regulations will play a much bigger role in our business," said Dutch Boy's Balint, "and will affect our costs." PPG's O'Malley added that "VOC [volatile organic compound] limits and Proposition 65 [California's tough new paint law] are making a lot of well-established paints obsolete."



Circle 42 on Reader Service Card

Adhesives makers work on creating safer formulas

(Continued from page 52)
er EPA regulations, adhesive manufacturers are facing price increases in their raw materials and packaging, such as cans, paper and corrugated cardboard.

"So far, competitive pricing has kept down prices for the dealer, but eventually it will have some effect," observed Plotkin.

"So much of our raw material is being exported," noted Marty Soller, marketing manager, Franklin International, Columbus, Ohio, "and that makes it more difficult for American companies."

Both Plotkin and Nixa noted that adhesives is a stable product that has remained constant. However, Franklin is introducing a caulking that comes in 35 different colors and another that can be custom colored to match any paint.

Although there's little new in the product line, adhesives manufacturers are creating helpful displays for the retailer and the DIYer. Franklin has a new four-shelf display that holds 500 pounds per shelf and features wire racks to keep the items in place; they're also attracting attention with four-color corrugated boxes.

M-D features a grid chart where consumers can match up the right adhesive for the project. Macco offers lots of free how-to literature that's kept right next to the products. The supplier also features a POP header over the display and new packaging that shows a DIYer paneling a wall, laying a floor, or putting up ceramic tiles.

"We want to make it clear the consumers can do it themselves," said Nixa. "We also hold seminars for the sales help so they can become more familiar with the uses of our product."

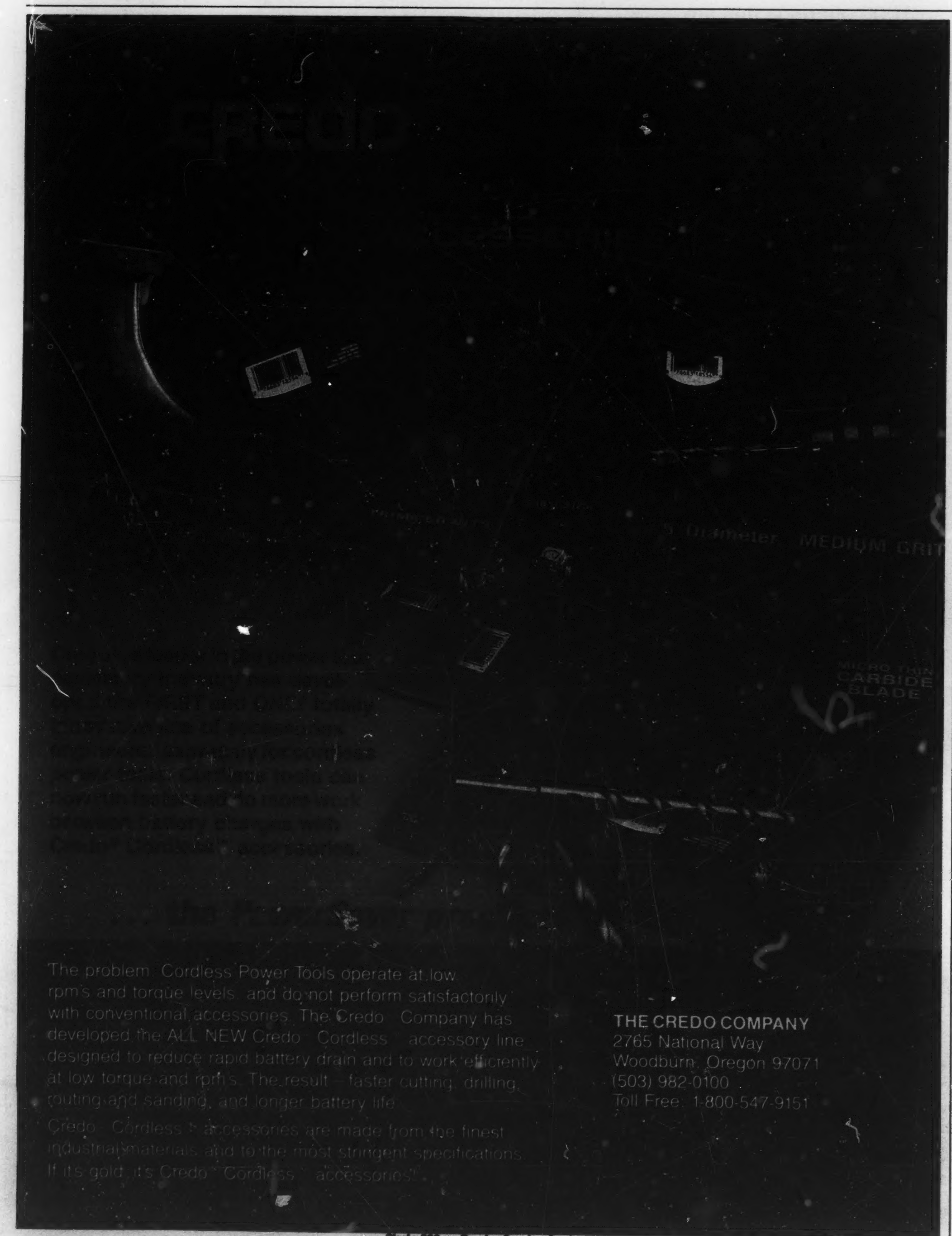
"Consumers are realizing they can use adhesives rather than nails, so they're buying more adhesives," noted Plotkin. "This is a growing market."

A spokesperson for G.E. Silicon Products Division, Waterford, N.Y., agreed the market is growing and that it's very important for the manufacturers to pay attention to case packaging. She also noted they're still offering rebates on G.E.'s four-pack units, despite the fact that the trend is going away from rebates. She alluded to upcoming new products, but declined to discuss them until their scheduled introduction at the Hardware Show in August.

Adhesives

Est. retail market: $750 million
Retail sales growth: NA
Avg. turns: 5
Avg. gross margins: 35 to 50 percent

NHCN chart



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Circle 862 on Reader Service Card

Dealers urged to teach DIYers on applicators

(Continued from page 52)
brushes, rollers and drop cloths, and that they must convince retailers to locate their products next to the paints.

"We favor concise packaging that shows the benefits of the applicator," said Ed Goldstein, vice president of Padco, the Minneapolis-based supplier. "We use four-color photos that show the roller in use, and we bullet the main features on the packaging. That way we educate the consumer about the use of the product."

Showing the product being used is especially important in Padco's lines: specialty applicators, such as trimming tools, corner paint pads and unusual extension poles. American Brush also uses four-color photography that illustrates which brush should be used for a specific project.

Sundries

Est. retail market: $400 million
Retail sales growth: NA
Avg. turns: 6
Avg. gross margins: 50 percent

NHCN chart

"Our best brushes are project specific," said Pamela Wood, vp-marketing for the Claremont, N.H.-based supplier. "And we want to help the retailer sell better brushes. Brush sets are also good sellers."

Both Goldstein and Richard Dell, president of E-Z Paintr in Milwaukee, agreed that "one coat" is a big selling point for brushes and rollers.

Almost everyone noted that the rising cost of plastic would reflect a price increase for drop cloths and applicators made with synthetic filaments. Dell added that domestic suppliers are rushing to export and this creates price increases for the American companies.

"We're talking about a 30 to 50 percent increase in the cost of plastic," said Dell. "It's such a dramatic increase that we cannot absorb it."

Perspectives

census/commodities

Sales of sheet resilient flooring have become a growing segment of the market with the rise of DIY kitchen and bath remodeling. NHCN photo

Growing sales of DIY flooring tied to rise in K&B remodeling

While linoleum has gone the way of the hula hoop, resilient flooring has not, and its popularity is on the increase.

Significantly, manufacturers see DIY flooring as a growing segment due to the rise in remodeling.

"This is directly applicable to home centers," said Charlie Whipple, general manager of residential and DIY markets for Congoleum, Princeton, N.J.. "There is a tremendous boom in kitchen and bath remodeling and while we talk a lot about alternative uses for resilient flooring, it is the primary choice for kitchen and bath. Well over 50 percent use sheet vinyl for these rooms."

Also, according to Whipple, about three-quarters of the industry's home centers now carry sheet vinyl. He sees a 10 percent growth rate for DIY resilient flooring, and projected a $42 million market for 1989 from $34 million in 1987.

"We're doing what we can to help the DIYer," said Whipple. He noted that home centers surveyed regarded a salesperson's effort as most important component to a sales increase. In answer to that, Congoleum holds training programs for salespeople.

To keep abreast of the changing market, Mannington Resilient Floors, Salem, N.J., has updated its designs to reflect the currently popular pastel pallet. No-wax sheet vinyl continues to be popular, with a recent shift towards high-gloss finishes.

Mannington's dedication to the DIY market is exemplified by its Perfect Fit Kit, designed to simplify installation.

Armstrong World Industries, Lancaster, Pa., emphasizes merchandising with its FloorMaster displays, which vary in size to hold from 13 to 25 rolls to accommodate a variety of retail floor plans.

And while resilient flooring is preferred by most consumers for many applications, there is a growing trend toward hardwood flooring.

Bruce Hardwood Floors has had great success penetrating the DIY market and having its products cross-merchandised with kitchens. Tarkett, Parsippany, N.J., has responded to this market by producing not only hardwood flooring, but also sheet vinyl that simulates hardwood patterns.

Michael Miller, Tarkett's vp-marketing, said, "Each new pattern was thoroughly researched in the marketplace to confirm consumer buying trends."

The new patterns also include a simulated ceramic tile motif. "Consumers responded by indicating a preference for traditional ceramic and hardwood motifs, with more sophisticated styling at the high end." Additionally, consumers requested flooring patterns in mauve and gray colorations to coordinate with current decorating trends.

With regard to hardwood, Tarkett offers home centers solid hardwood parquet prefinished panels that can be installed in a variety of patterns. It is offered in pastel and neutral color tones.

According to an annual survey conducted by F.W. Dodge/LSI Group, a division of McGraw-Hill Information Systems, and the National Association of Home Builders, resilient tile and sheet material hold a 15 percent market share, second to carpeting at 76 percent. Wood flooring and ceramic tile follow at five and four percent respectively.

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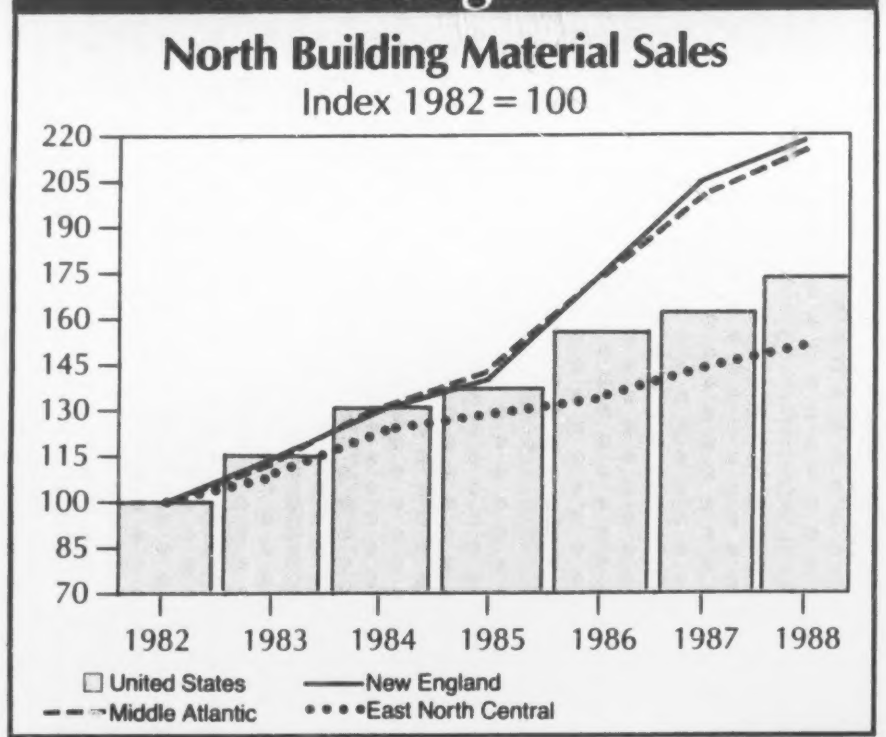
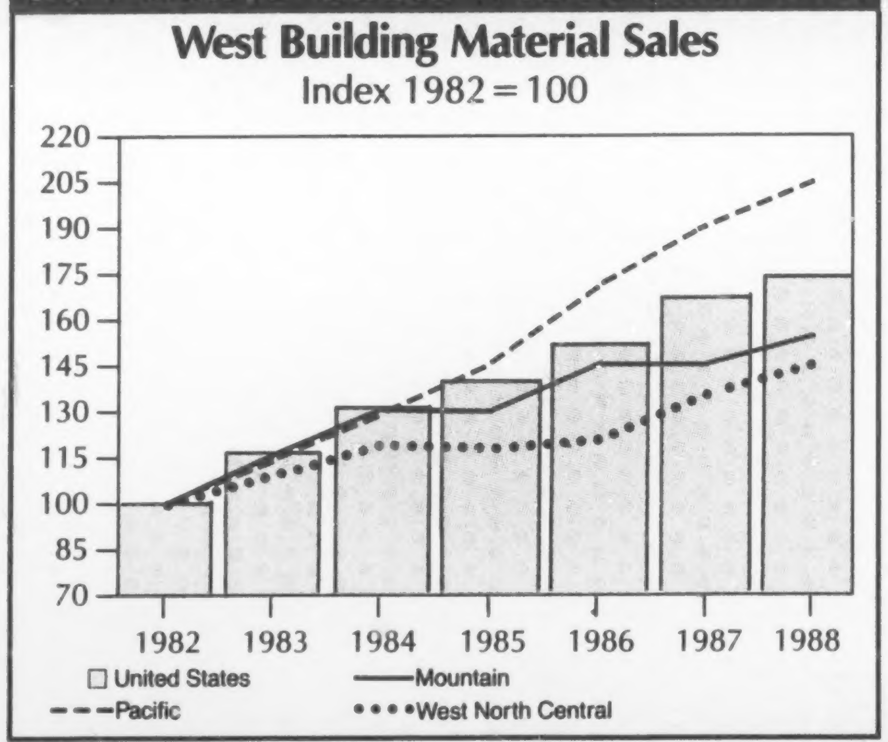
Business Watch

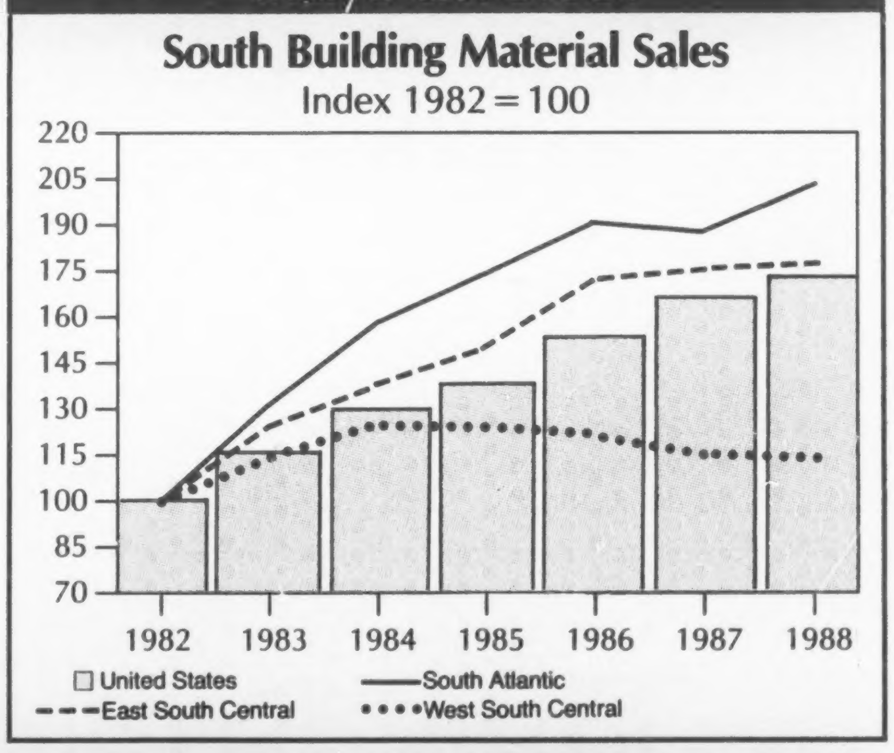
The Northeast remains the strongest . . .


North Building Material Sales
Index 1982 = 100

. . . the Midwest improves as Pacific bests Mountain . . .


West Building Material Sales
Index 1982 = 100

. . . and the South stays diverse.


South Building Material Sales
Index 1982 = 100

Revisions to retail trade data change outlook for sales

By Richard E. Mount
Special to NHCN

Recent revisions to the retail trade data paint a different picture of national and regional building materials sales than originally reported.

The aggregate building materials sales level was reduced in the Commerce Department's revisions, and a number of regions were reported as being significantly stronger or weaker during 1987.

Building materials sales are now likely to increase 5.6 percent this year, 2.4 percent in unit volume. This compares favorably to the 6.8 percent rise in dollar sales during 1987.

Richard E. Mount

New England will remain stronger than average in 1988, up 6.7 percent due to continued strength in the local economy. But localized labor shortages, high home prices and slower growth in defense spending could retard expansion.

The slowdown in Middle Atlantic states' employment was not as severe as many expected, and the strength in sales in the opening months of 1988 should carry the area to a 6.5 percent increase in 1988.

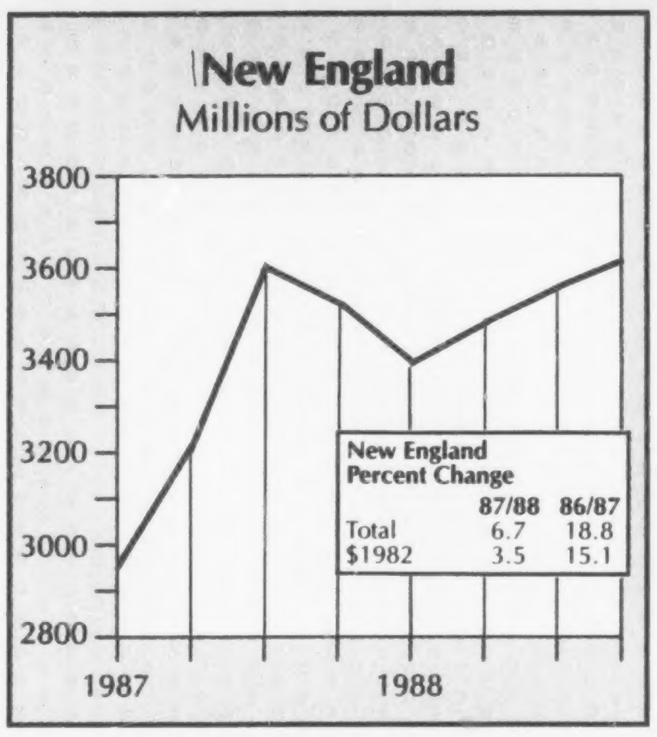
The East North Central states are now likely to rise 5.6 percent, equal to the national rate. Given the expected increase in domestic manufacturing coming from the lower dollar, this region will outperform the nation after the first quarter.

The South Atlantic states staged a strong rebound beginning in the fourth quarter of 1987. Even with an easing in the rate of advance, sales could be up 8.1 percent this year.

The Pacific states are likely to be the strongest in the nation this year with a gain of 8.4 percent based on the first-quarter sales pace. While the diversified California economy remains the linchpin of the region, Oregon and Washington are gaining strength from exports of lumber products.

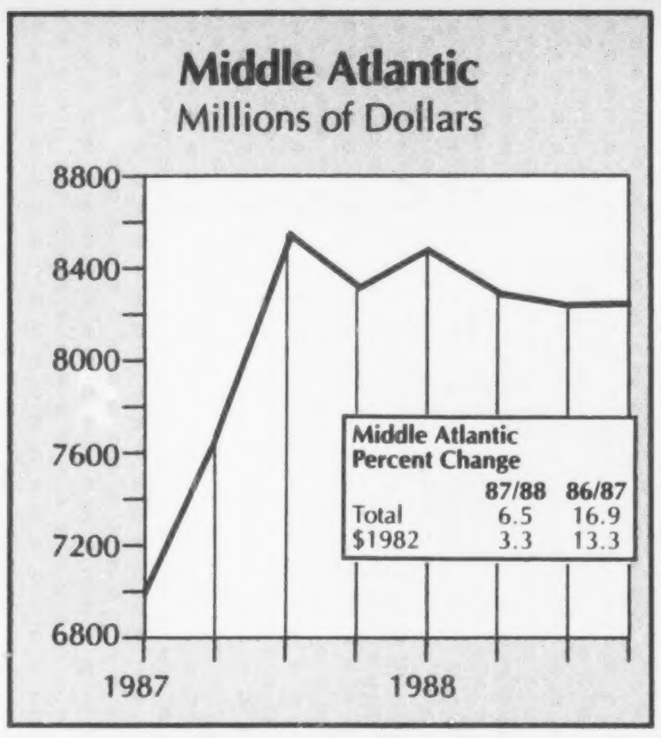
Richard Mount is president and chief economist with Mount Economic Consulting.

Regional Outlook: Building Material Sales


New England
Millions of Dollars

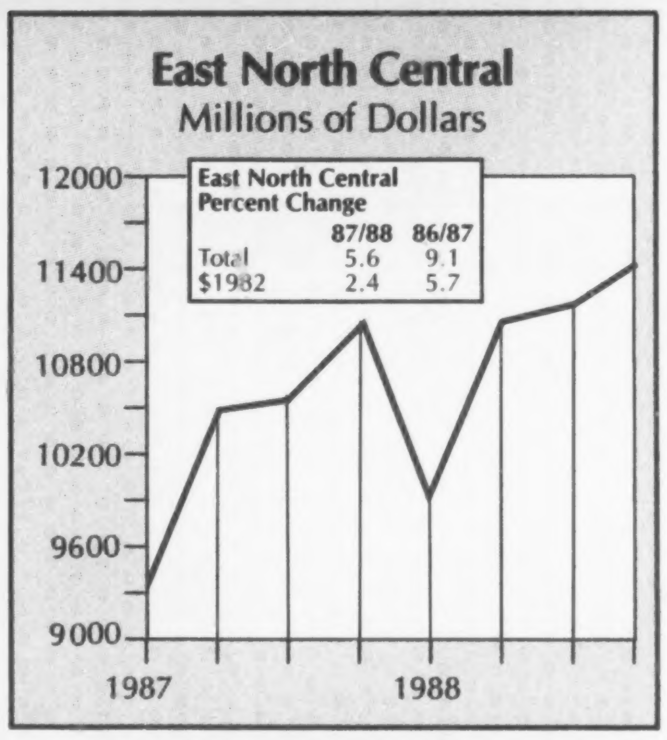
New England
Percent Change

	87/88	86/87
Total	6.7	18.8
$1982	3.5	15.1


Middle Atlantic
Millions of Dollars

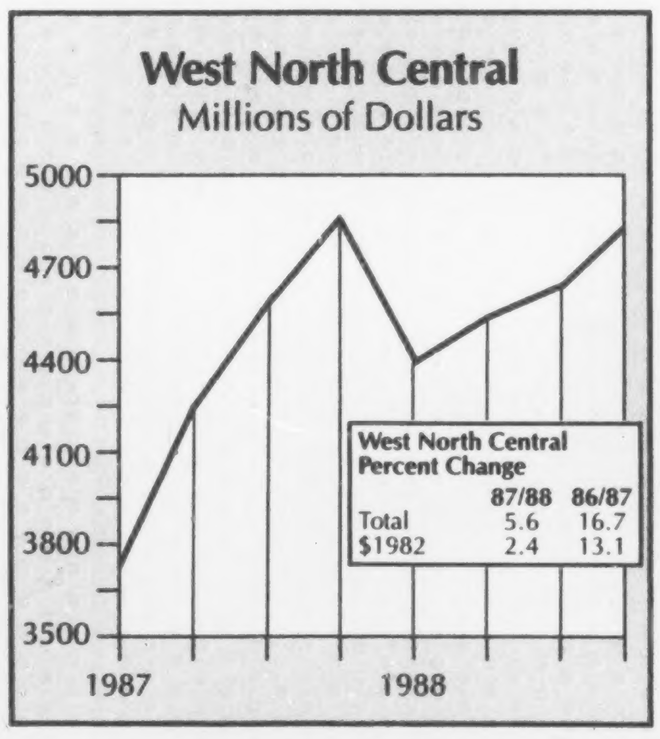
Middle Atlantic
Percent Change

	87/88	86/87
Total	6.5	16.9
$1982	3.3	13.3


East North Central
Millions of Dollars

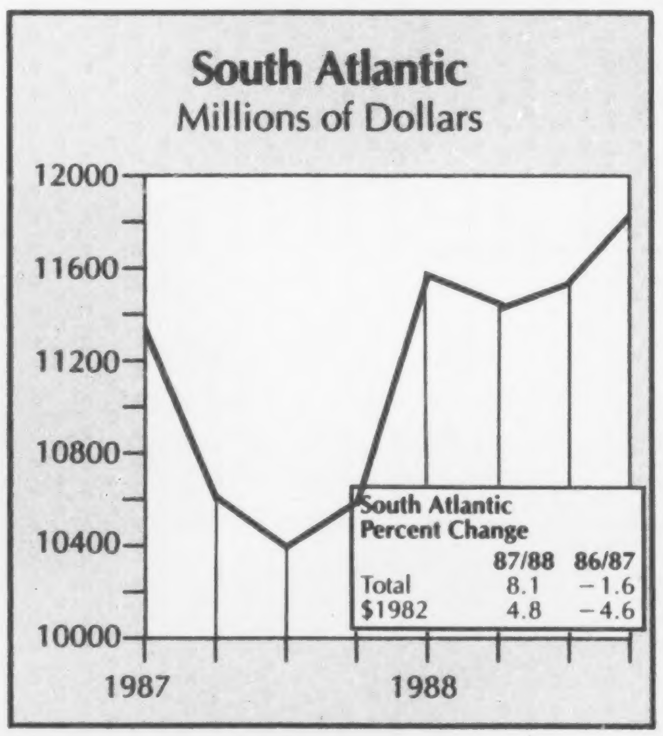
East North Central
Percent Change

	87/88	86/87
Total	5.6	9.1
$1982	2.4	5.7


West North Central
Millions of Dollars

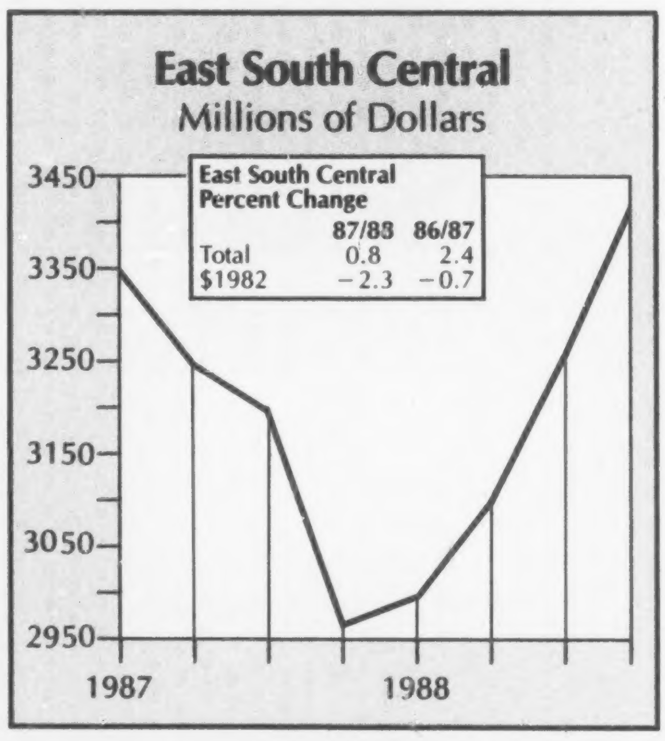
West North Central
Percent Change

	87/88	86/87
Total	5.6	16.7
$1982	2.4	13.1


South Atlantic
Millions of Dollars

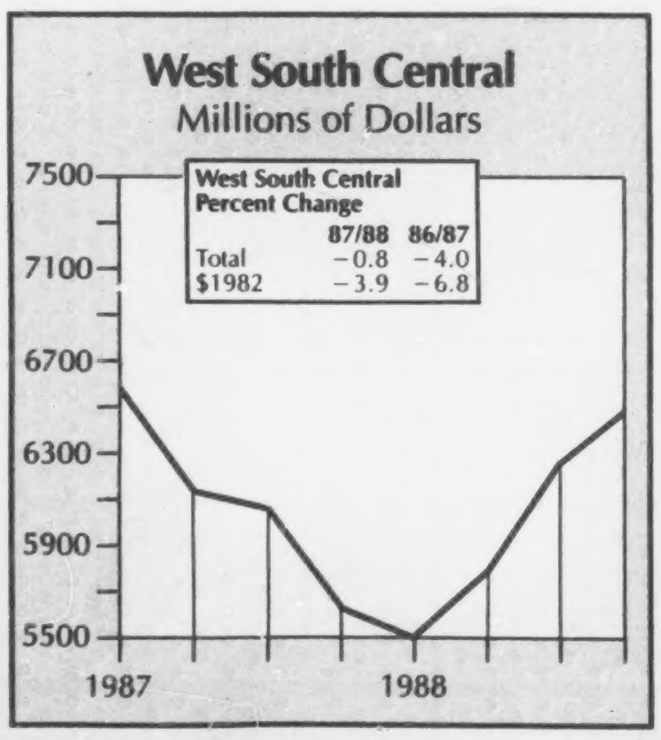
South Atlantic
Percent Change

	87/88	86/87
Total	8.1	−1.6
$1982	4.8	−4.6


East South Central
Millions of Dollars

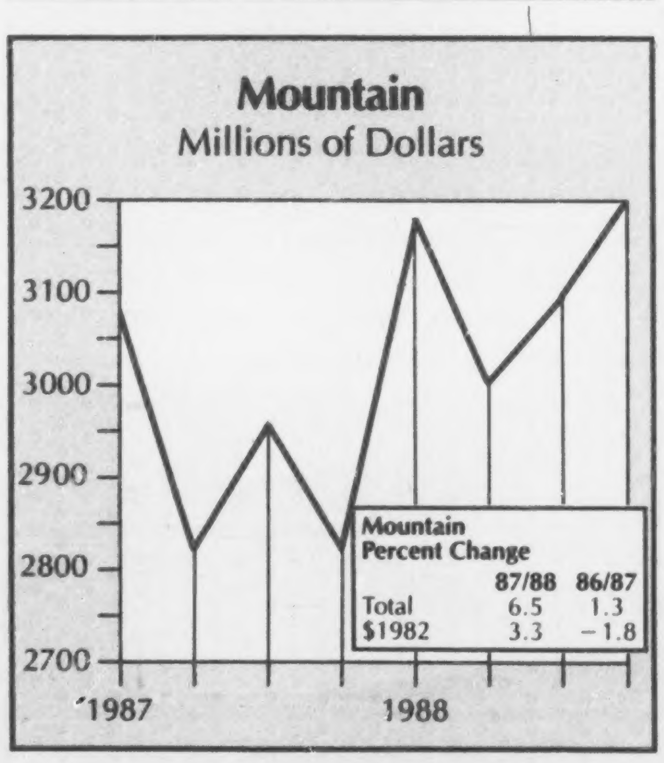
East South Central
Percent Change

	87/88	86/87
Total	0.8	2.4
$1982	−2.3	−0.7


West South Central
Millions of Dollars

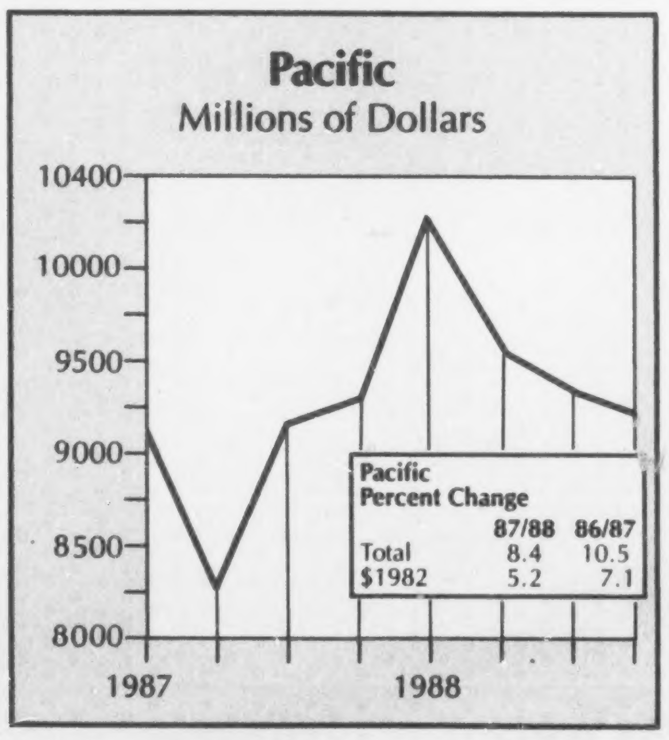
West South Central
Percent Change

	87/88	86/87
Total	−0.8	−4.0
$1982	−3.9	−6.8


Mountain
Millions of Dollars

Mountain
Percent Change

	87/88	86/87
Total	6.5	1.3
$1982	3.3	−1.8


Pacific
Millions of Dollars

Pacific
Percent Change

	87/88	86/87
Total	8.4	10.5
$1982	5.2	7.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales. The *NHCN* Leading Indicator runs every issue on page 5.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

Housing market projections look gloomy well into '89

By an NHCN staff editor

NATIONAL REPORT—"I don't see a sustained turnaround until late 1989, early 1990."

That was the assessment of John Savacool, director of real estate and construction for the WEFA Group, who was quoted in *Investor's Daily* on May 19 about his projections for the housing market.

His assessment was made right after the Commerce Department released April start figures, which showed a decline of 7 percent in single-family construction, even though home building grew marginally to a seasonally adjusted rate of 1.56 million units, much of that growth coming from the highly erratic apartment construction sector.

Savacool's opinion was corroborated by an F.W. Dodge report, issued May 24, that housing construction was off "sharply" in the first quarter, falling 16 percent to 318,967 units, the lowest level in six years.

"The opening quarter . . . brought double trouble for the housing industry," said George Christie, Dodge's chief economist. "Last year's steady rise of mortgage rates took its toll on one-family building."

He continued that the interest rate drop since last October's stock market crash "is already over." But Christie held out some hope that there were still a few months of "improved one-family building before highest-cost mortgage money again becomes a barrier."

That the housing market has been slipping this year is no secret. Building has been off since the fourth quarter of 1987, and the National Association of Home Builders (NAHB) is now projecting a 1.49 million-unit year, 1.08 million being single-family homes, which would be 5.5 percent lower than last year. The decline is predicated on the anticipated rise in interest rates. Indeed, the consensus among housing experts attending the NAHB's Construction Forecast Conference in Washington was that mortgage rates would range between 11 and 11.5 percent by the end of the year, depending on how flexible the Federal Reserve is willing to be.

The one saving grace is that adjustable rate mortgage (ARM) rates have been falling since the beginning of the year to an April level of 8.62 percent.

Joseph Hu, executive vp and managing director of mortgage research at Shearson Lehmann Hutton, predicted at the conference that ARMs would account for more than three fifths of all mortgage originations this year.

Inflation takes off

Mortgage rates aren't the only thing the housing industry and dealers that serve it have to worry about, as inflation appears to be rearing its head again.

On May 21, the government released figures showing that the Consumer Price Index rose 0.4 percent to an annualized rate of more than 4 percent, and that it is expected to stay at that level throughout 1988. Oddly enough, the inflation spiral comes at a time when home prices have begun to fall off appreciably, so it's hard to tell whether price stability or hikes can be expected in the ensuing months.

> The consensus among housing experts attending the NAHB's Construction Forecast Conference in Washington was that mortgage rates would range between 11 and 11.5 percent by the end of the year.

In that month, the CPI for housing rose 0.3 percent.

All this gloom would have been bad news for many home improvement dealers a year ago. But one of the major industry shifts in 1987 was the move away from servicing the home building contractor in favor of selling to the remodeler, whose business is far less cyclical.

Indeed, the impact that housing in general has on the economy these days has been subjected to doubt. In the *Investor's Daily* article, James Christian, chief economist for the U.S. League of Savings Institutions, noted that "housing is not a leading economy anymore.

"We're making a transition to an export- and investment-led economy. The role that housing is playing, and certainly doing it well, is a supporting role."

This would be true for contractor-oriented home improvement dealers as well, many of which have seen the light of remodeling and have reverted to servicing that customer.

It remains to be seen, though, if retailers remain true to the remodeler if and when housing shows any signs of reviving, as was the case in the early 1980s.

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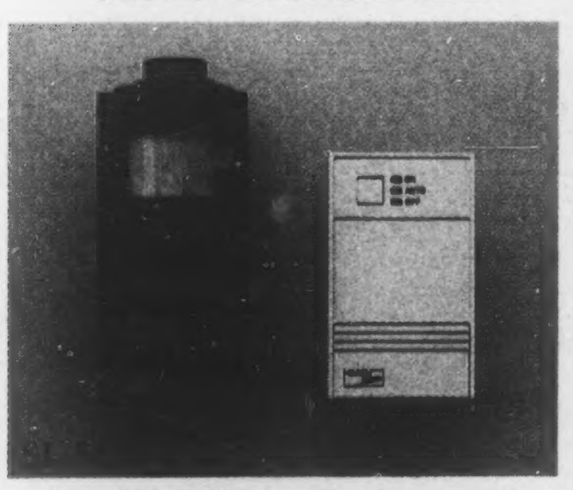

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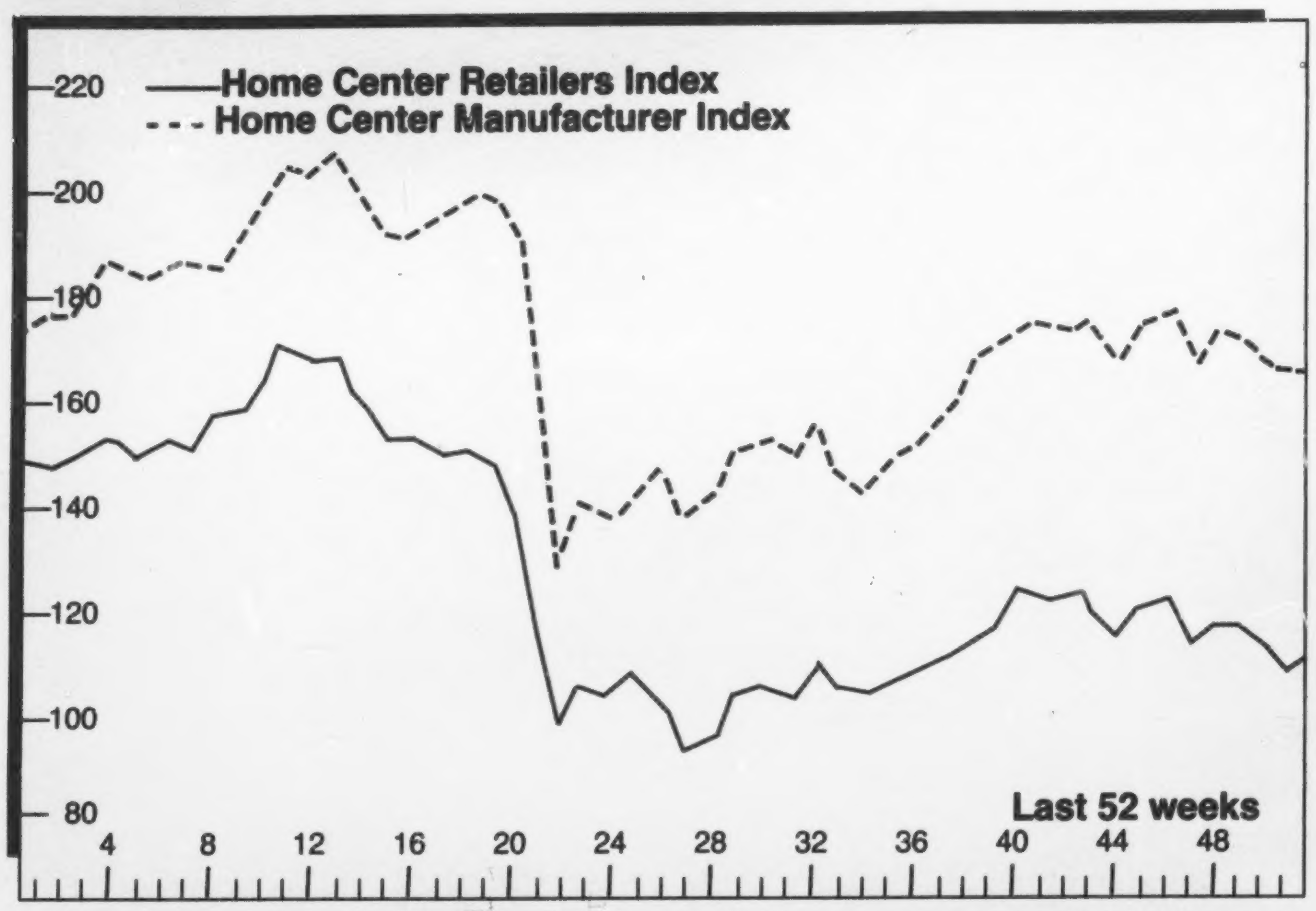

The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on May 13, 1988, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions to the *NHCN* stock list.

Majority of industry stocks fall

The stock price of 30 home improvement-related companies declined during the two-week period ended May 27, with 13 firms showing price gains and six remaining flat. Among retailers, Payless Cashways, whose stock is being bought up by a group led by investor Asher Edelman and Sutherland Lumber chairman Dwight Sutherland, had a gain of 16.2 percent to $22.38. National Lumber, whose earnings were off $500,000 in its latest quarter, saw its stock price jump 18.2 percent to $3.25. Most of the dealers' stocks had price declines, though, the most severe being the 10.1 percent drop for HomeClub parent Zayre.

Manufacturers fared worse, with only four of the suppliers tracked for *NHCN* by Media General having price increases. Masco Corp. led the charge with a 5.9 percent gain to $26.88; Newell's stock price rose 2.8 percent to $37. On the down side, Owens-Corning Fiberglas incurred the biggest price falloff of 8.2 percent to $18.25. Both Armstrong World Industries and Insilco saw their stock prices fall 6.3 percent. Surprisingly, USG, which has been battling to keep from being taken over, saw its stock price rise only 1.4 percent to $45.25, a signal that the bidding war may have ended.

Wholesalers tracked all showed modest price gains. Moore-Handley, which has been having profitability problems, enjoyed a 6.3 percent jump to $4.25; Palmer G. Lewis, which is coveted by two distributors looking to take it over, saw its stock price increase 18.9 percent—the highest among all companies tracked—to $26.38.

Gainers
13

Unchanged
6

Losers
30

National Home Center News

HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume					Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E			New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	5-27-88	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Gen Bldg Prods M	5.13	- .25	- 4.7	5.75	5.13	11.75	4.00	394	.98	.91	7.7	11.1	.00	.0	.....	3 mos.	02-88	14.9	15.5	- .1	- 100.0	- .03	- 100.0	14.9	15.5	- .1	- 100.0	- .03	- 100.0
Grossman's Inc M	6.38	- .63	- 8.9	6.88	6.38	10.00	4.13	8,384	3.21	2.28	40.8	12.8	.00	.0	.....	3 mos.	03-88	204.0	6.3	- 9.1	NE	- .35	NE	204.0	6.3	- 9.1	NE	- .35	NE
Hechinger A M	17.75	.25	1.4	17.88	17.00	26.50	14.25	11,232	7.79	3.22	141.9	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	17.75	.50	2.9	17.75	17.00	26.75	15.50	575	.35	.33	6.1	15.2	.06	.3	NEW	3 mos.	04-88	238.8	44.9	8.8	15.8	.24	.0	238.8	44.9	8.8	15.8	.24	.0
Home Depot N	23.38	- 2.38	- 9.2	26.75	23.13	28.09	12.13	10,484	2.13	1.61	32.3	19.2	.12	.5	NEW	3 mos.	04-88	446.6	33.7	19.2	50.0	.38	31.0	446.6	33.7	19.2	50.0	.38	31.0
INTERCO Inc N	42.25	.13	.3	42.75	40.25	54.00	29.50	8,182	2.19	1.18	85.6	12.1	1.72	4.1	.....	fiscal	02-88	793.1	21.7	36.6	18.1	.93	- 6.1	3341.4	27.8	145.0	47.1	3.50	11.8
K mart Cp N	32.38	- .13	- .4	33.13	30.25	48.38	21.63	29,706	1.47	1.19	23.5	9.4	1.32	4.1	NEW	3 mos.	04-88	5841.8	4.4	120.8	4.6	.60	5.3	5841.8	4.4	120.8	4.6	.60	5.3
Lowe's Cos N	19.50	- .75	- 3.7	20.25	19.00	29.38	15.25	6,333	1.60	.78	105.1	12.7	.44	2.3	.....	fiscal	01-88	502.4	1.0	8.9	- 11.0	.22	- 12.0	2442.2	6.9	61.2	11.1	1.54	9.2
Natl Hardgoods M	5.25	.00	.0	5.38	5.00	9.25	3.75	70	.52	.55	- 5.5	8.3	.00	.0	.....	fiscal	01-88	12.7	19.8	.4	- 20.0	.32	- 8.6	45.8	25.8	.8	- 20.0	.63	- 10.0
Natl Lumber M	3.25	.50	18.2	3.50	2.75	5.75	2.50	234	.42	.49	- 14.3	NE	.00	.0	.....	fiscal	01-88	37.9	- 2.6	- .5	NE	- .08	NE	158.8	5.9	.0	NE	.00	NE
Payless Cash N	22.38	3.13	16.2	22.75	18.63	24.50	9.63	70,669	20.40	4.81	324.1	28.3	.16	.7	.....	3 mos.	02-88	357.7	7.7	2.6	- 25.7	.08	- 20.0	357.7	7.7	2.6	- 25.7	.08	- 20.0
Scotty's Inc N	12.75	- 1.13	- 8.1	14.00	12.63	15.88	10.00	1,186	.81	.34	138.2	16.1	.52	4.1	.....	9 mos.	03-88	137.3	2.0	3.5	16.7	.23	9.5	394.5	4.1	8.3	18.6	.56	16.7
Sears, Roebuck N	33.50	- 1.13	- 3.2	35.00	33.00	59.50	26.00	408,467	10.79	1.58	582.9	8.2	2.00	6.0	.....	3 mos.	03-88	12157.9	16.0	179.5	- 37.7	.47	- 37.3	12157.9	16.0	179.5	- 37.7	.47	- 37.3
Std Brd Pnt N	12.50	- .13	- 1.0	12.88	11.63	31.88	10.63	1,166	1.04	1.07	- 2.8	35.7	.00	.0	.....	fiscal	01-88	68.9	- 6.5	- 6.3	- 100.0	(1.20)	- 100.0	305.5	- 6.5	6.5	- 56.7	.35	- 73.7
Strober Organiz M	11.25	.00	.0	11.50	10.75	13.00	6.25	686	1.13	.58	94.8	14.8	.00	.0	NEW	3 mos.	03-88	28.1	31.9	.4	- 60.0	.06	- 64.7	28.1	31.9	.4	- 60.0	.06	- 64.7
Wickes Cos N	10.13	- .63	- 5.8	10.75	9.38	25.00	7.25	17,596	3.68	1.56	135.9	13.1	.00	.0	.....	fiscal	01-88	832.5	- 40.9	8.9	102.3	.16	NE	3476.9	- 27.1	41.6	- 43.7	.77	- 45.0
Wolohan Lumber M	15.00	.13	.8	15.38	14.38	18.75	8.75	1,005	1.72	1.49	15.4	10.1	.24	1.6	NEW	3 mos.	03-88	42.3	3.2	.8	- 20.0	.14	- 22.2	42.3	3.2	.8	- 20.0	.14	- 22.2
Zayre Corp N	20.00	- 2.25	- 10.1	22.50	19.75	37.00	13.50	43,162	7.61	5.44	39.9	11.0	.40	2.0	NEW	3 mos.	04-88	1450.9	12.0	4.5	- 78.7	.08	- 77.8	1450.9	12.0	4.5	- 78.7	.08	- 77.8
Wholesalers																													
Hughes Supply N	26.38	.38	1.4	26.38	25.88	30.25	19.75	205	.62	.57	8.8	9.5	.44	1.7	.....	fiscal	01-88	114.3	33.1	2.5	47.1	.78	50.0	432.4	24.3	9.2	35.3	2.77	31.9
Moore Handley M	4.25	.25	6.3	4.25	4.00	9.00	3.75	40	.16	.18	- 11.1	NE	.00	.0	.....	3 mos.	03-88	25.8	9.3	- .1	- 100.0	- .02	- 100.0	25.8	9.3	- .1	- 100.0	- .02	- 100.0
Lewis Palmer M	11.00	1.75	18.9	11.50	9.38	11.50	5.75	8,790	23.29	4.13	463.9	25.6	.28	2.5	NEW	3 mos.	04-88	53.3	.8	.4	33.3	.12	33.3	53.3	.8	.4	33.3	.12	33.3
Manufacturers																													
Am Consum Prods M	13.50	- .25	- 1.8	13.75	13.00	14.75	7.88	83	.40	.86	- 53.5	15.5	.00	.0	.....	3 mos.	03-88	17.5	90.2	.4	33.3	.21	50.0	17.5	90.2	.4	33.3	.21	50.0
Am Standard N	77.25	.25	.3	77.50	76.75	78.25	30.50	305	.10	3.70	- 97.3	18.4	1.80	2.3	.....	3 mos.	03-88	900.8	15.5	21.3	- 1.4	.67	3.1	900.8	15.5	21.3	- 1.4	.67	3.1
Am Woodmark M	8.38	- .03	- .4	8.53	8.00	14.09	5.91	412	.59	.22	168.2	10.7	.00a	.0	.....	9 mos.	01-88	29.9	14.1	.7	- 41.7	.09	- 40.0	96.0	11.0	4.4	- 17.0	.58	- 19.4
Armstrng Wrld N	35.63	- 2.38	- 6.3	38.25	35.25	47.38	22.50	11,995	2.59	2.02	28.2	10.6	1.00	2.8	.....	3 mos.	03-88	629.5	16.3	39.0	22.3	.84	25.4	629.5	16.3	39.0	22.3	.84	25.4
Black & Decker N	20.88	.00	.0	21.38	20.25	26.50	13.00	20,103	3.44	3.08	11.7	16.1	.40	1.9	.....	6 mos.	03-88	537.8	22.6	21.2	130.4	.36	125.0	1150.1	18.8	52.3	65.5	.89	64.8
Boise Cascade N	41.38	- 2.63	- 6.0	44.00	40.63	51.16	28.81	9,307	2.06	1.38	49.3	9.4	1.20	2.9	.....	3 mos.	03-88	1016.3	11.4	68.5	70.4	1.47	86.1	1016.3	11.4	68.5	70.4	1.47	86.1
Champ Intl N	32.50	- 1.25	- 3.7	34.38	31.63	44.63	21.75	25,879	2.72	1.77	53.7	7.2	1.00	3.1	.....	3 mos.	03-88	1266.1	15.4	102.0	83.8	1.07	81.4	1266.1	15.4	102.0	83.8	1.07	81.4
Clairson Intl M	4.88	.13	2.6	4.88	4.63	18.25	4.63	872	1.71	.93	83.9	NE	.00	.0	NEW	6 mos.	03-88	27.5	45.5	- 2.6	- 100.0	- .50	- 100.0	51.2	45.5	- 2.2	- 100.0	- .42	- 100.0
Cooper Indus N	55.88	- .25	- .4	57.38	54.50	74.50	39.00	10,046	1.98	1.11	78.4	15.7	1.80	3.2	.....	3 mos.	03-88	925.5	15.6	32.2	16.7	.64	14.3	925.5	15.6	32.2	16.7	.64	14.3
DeSoto Inc N	29.13	- .13	- .4	29.63	28.88	42.00	21.00	508	1.27	.75	69.3	11.4	1.40	4.8	.....	3 mos.	03-88	97.5	8.0	1.8	- 18.2	.44	- 18.5	97.5	8.0	1.8	- 18.2	.44	- 18.5
Emhart Corp N	21.00	- .75	- 3.4	22.13	20.75	26.63	15.50	6,295	1.00	.56	78.6	11.8	.80	3.8	.....	3 mos.	03-88	694.5	15.3	32.6	16.4	.53	17.8	694.5	15.3	32.6	16.4	.53	17.8
Georgia Pacific N	37.13	- .88	- 2.3	38.88	36.75	48.38	22.75	14,373	1.36	1.68	- 19.0	8.2	1.20	3.2	.....	3 mos.	03-88	2115.0	14.0	106.0	32.5	1.02	43.7	2115.0	14.0	106.0	32.5	1.02	43.7
Insilco Corp N	18.63	- 1.25	- 6.3	19.88	18.63	28.13	14.00	1,713	.82	1.04	- 21.2	NE	1.00	5.4	.....	3 mos.	03-88	186.2	6.0	10.0	28.2	.47	27.0	186.2	6.0	10.0	28.2	.47	27.0
La Pacific N	28.88	- 1.13	- 3.8	30.50	28.13	39.75	21.50	5,157	1.35	1.12	20.5	7.1	.92	3.2	.....	3 mos.	03-88	483.0	14.2	46.5	185.3	1.21	181.4	483.0	14.2	46.5	185.3	1.21	181.4
Macmillan Bloedel M	14.50	- .25	- 1.7	14.75	14.25	23.50	12.00	10,230	1.00	.55	81.8	NA	.85	NA	.....	3 mos.	03-88	796.5	10.7	91.6	51.7	.85	57.4	796.5	10.7	91.6	51.7	.85	57.4
Manville Cp N	2.00	.00	.0	2.13	2.00	5.38	2.00	3,264	1.36	1.19	14.3	.4	.00	.0	.....	3 mos.	03-88	502.2	5.7	35.7	- 16.8	1.23	- 19.1	502.2	5.7	35.7	- 16.8	1.23	- 19.1
Masco Corp N	26.88	1.50	5.9	27.50	24.88	39.25	18.75	25,639	1.93	.88	119.3	14.7	.40	1.5	.....	3 mos.	03-88	556.0	23.6	79.6	43.4	.60	42.9	556.0	23.6	79.6	43.4	.60	42.9
Mor-Flo Inds M	5.75	.00	.0	6.25	5.75	12.50	5.50	98	.39	.26	50.0	NE	.01	.2	.....	fiscal	12-87	49.8	5.3	- 2.9	NE	(1.17)	NE	204.2	4.6	- 3.3	- 100.0	(1.31)	- 100.0
Newell Co N	37.00	1.00	2.8	38.00	35.75	43.00	21.13	3,332	2.89	1.14	153.5	12.8	1.00	2.7	.....	3 mos.	03-88	236.2	133.2	9.9	62.3	.64	25.5	236.2	133.2	9.9	62.3	.64	25.5
Nortek Inc N	7.25	- .25	- 3.3	7.75	7.00	14.75	5.00	957	.62	1.14	- 45.6	NE	.10	1.4	.....	3 mos.	03-88	337.3	16.2	2.1	- 77.2	.14	- 75.4	337.3	16.2	2.1	- 77.2	.14	- 75.4
Owens Corn N	18.25	- 1.63	- 8.2	20.00	18.00	27.00	9.00	10,542	2.64	2.05	28.8	3.4	.00	.0	.....	3 mos.	03-88	632.0	NC	28.0	NC	.66	NC	632.0	NC	28.0	NC	.66	NC
Ply-Gem A	12.38	- .13	- 1.0	12.88	12.38	17.75	9.00	1,399	1.25	.95	31.6	18.5	.12	1.0	.....	3 mos.	03-88	89.4	26.6	3.4	3.0	.30	3.4	89.4	26.6	3.4	3.0	.30	3.4
Pope & Talbot N	18.25	- 1.50	- 7.6	19.63	18.00	27.25	9.75	2,003	1.68	1.30	29.2	7.4	.50	2.7	.....	3 mos.	03-88	115.7	15.4	8.0	19.4	.67	21.8	115.7	15.4	8.0	19.4	.67	21.8
Potlatch Cp N	27.50	- 1.50	- 5.2	29.75	27.25	39.25	21.00	3,096	1.16	.53	118.9	8.0	.92	3.3	.....	3 mos.	03-88	258.2	3.9	26.5	48.9	.95	50.8	258.2	3.9	26.5	48.9	.95	50.8
PPG Inds N	40.50	- 2.25	- 5.3	43.13	40.13	53.50	27.50	20,061	1.68	.84	100.0	11.5	1.20	3.0	.....	3 mos.	03-88	1373.4	8.9	118.6	36.5	1.07	46.6	1373.4	8.9	118.6	36.5	1.07	46.6
Sherwin-Wms N	25.75	- .25	- 1.0	26.38	24.00	36.13	20.13	6,827	1.56	1.02	52.9	11.9	.64	2.5	.....	3 mos.	03-88	412.0	8.3	8.4	.0	.19	11.8	412.0	8.3	8.4	.0	.19	11.8
Stanley Works N	26.88	.00	.0	27.50	26.25	36.63	21.25	2,792	.65	.58	12.1	12.9	.88	3.3	.....	3 mos.	03-88	466.3	11.9	21.3	20.3	.49	19.5	466.3	11.9	21.3	20.3	.49	19.5
Thos Inds N	19.50	- .50	- 2.5	20.75	19.38	22.38	13.81	1,204	1.15	.63	82.5	11.1	.68b	3.5	.....	3 mos.	03-88	82.1	4.3	5.0	31.6	.48	33.3	82.1	4.3	5.0	31.6	.48	33.3
Triangle Ind N	29.75	.00	.0	30.13	29.13	44.00	22.50	5,632	2.49	1.44	72.9	14.2	.12	.4	.....	3 mos.	03-88	993.6	8.9	11.3	79.4	.40	100.0	993.6	8.9	11.3	79.4	.40	100.0
Union Camp N	32.38	- 1.50	- 4.4	35.00	32.25	47.63	26.00	13,194	1.79	1.04	72.1	10.2	1.24	3.8	.....	3 mos.	03-88	645.4	20.2	67.7	53.2	.95	58.3	645.4	20.2	67.7	53.2	.95	58.3
USG Corp N	45.25	.63	1.4	45.38	43.25	55.88	23.50	33,812	6.55	5.27	24.3	14.7	1.12	2.5	.....	3 mos.	03-88	715.2	3.2	39.8	- 53.2	.77	- 53.3	715.2	3.2	39.8	- 53.2	.77	- 53.3
Waxman Ind M	12.88	- .63	- 4.6	14.25	12.38	14.38	7.25	2,778	4.54	2.20	106.4	13.6	.14	1.1	.....	9 mos.	03-88	38.6	24.5	1.9	111.1	.30	100.0	111.5	31.6	4.7	88.0	.75	87.5
Weyerhaeuser N	35.75	- 1.75	- 4.7	38.00	35.63	57.50	19.00	23,111	1.69	1.11	52.3	11.2	1.80	5.0	.....	fiscal	12-87	1783.5	22.9	129.4	34.7	.91	30.0	6989.8	23.7	446.6	61.4	3.18	66.5

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

N.J. supplier seeks controlling interest of P.G. Lewis

(Continued from page 5)

shares not acquired in the tender offer will be purchased at $11 a share in a subsequent action.

Crane said neither it nor Huttig has any intentions to dismantle PGL or liquidate any of the company's assets after the deal is completed. In addition, after the merger is completed, John N. Anderson, chairman of PGL and Jim Ben, president, will stay in their present positions.

Huttig's parent said it has secured a $45 million commitment from Morgan Guaranty Trust Co. to pursue the PGL acquisition.

In its filing with the SEC May 23, Crane said the total amount of money required to buy all of PGL's outstanding shares, as well as its outstanding 6 percent convertible debentures due in 1996 at $1,100 net per $1,000 principal, is expected to be about $44 million.

But in its filing with the SEC, Bradco suggested that PGL is worth more than that. Bradco's documents state that its analysis will show that the $11 per share cash price offered by Huttig does not reflect the full value for PGL. As a result, Bradco said it will endeavor to secure financing that would enable it to offer more than $11 a share for controlling interest.

At the time of the filing, Bradco reported owning about 9 percent of PGL.

Anderson, PGL's chairman, said despite Bradco's filing the New Jersey company has made no offer of any kind except a request to examine PGL's records. Anderson said Bradco's intent to acquire only voting control could leave the majority of the shareholders without a buyer at whatever level Bradco's venture pushed the stock price. Anderson implied that such an eventuality would be unfair to the majority of the shareholders.

Anderson said PGL's board of directors has insisted that all shareholders be treated fairly and equally and that minority shareholders not be shortchanged after any acquisition. Although Bradco's intentions for controlling PGL are unclear, Anderson said Washington state law places severe restrictions on certain corporate activities if the board of directors of the targeted company does not support the takeover.

Thus, the ability to sell off assets or form mergers is restrained when companies are acquired through unfriendly takeovers in Washington.

Last year, PGL's sales jumped 16 percent to $217 million. Hutting grew by 27 percent to $351 million.

Bradco officials did not respond to phone inquiries.

Ernst moves into phase two of remodel

(Continued from page 6)

nual volumes in excess of $5 million per store.

As part of the overall remodel effort, Ernst's merchandising executives reviewed every major vendor and category over the past year. Tom Vertetis, senior vp-merchandising, said this resulted in several new categories and suppliers as well as the deletion of thousands of items and the dropping of about two dozen suppliers.

"Some long-time suppliers were unhappy at our decision, but we had to give every vendor a fair chance at the business during the evaluation process," he said.

Vertetis said the review process was "difficult for all concerned," but he believes Ernst is now "well-positioned to reach its objective of being a full-line home center."

Several major suppliers are selling high volumes of merchandise to Ernst. "We're shipping Ernst increasingly large volumes and we hope to continue to expand our business," said Bob Cohen, executive vp of Keystone-Franklin, which has supplied Ernst with plumbing and other specialty items for more than 20 years.

"We're having a strong sales year with Ernst," said Scott King, vp for Dutch Boy Paints. "They have an aggressive management team."

This spring, vendors were apparently selling Ernst too much product. Because of an extraordinary demand for products in the remodeled stores, Ernst's Kent, Wash., distribution center became bottlenecked.

Mike Baumann, senior vp-finance, said to unclog the DC, the customary paperwork processing system was not adhered to "in an effort to support the demand at the stores. This led to an administrative nightmare."

Baumann said the distribution center was forced to ship merchandise at all hours of the day and night seven days a week. "The demand was so great, in fact, that we had to rent another 70,000 square feet of warehouse space in another building just to process all of the incoming merchandise," he said.

Suppliers worried about imports

(Continued from page 7)

insurance premiums had increased from 1987 to 1988, and over 25 percent had difficulty renewing their insurance.

The greatest portion of the respondents—36 percent—make and distribute hardware, followed by 27.2 percent that make tools and 20 percent that are lawn and garden producers.

Nearly 28 percent of those polled had annual volume under $5 million, 22 percent between $10 million and $25 million, and 22 percent over $50 million.

The survey is available on microfiche at the Congressional Information Service or can be obtained through contacting the American Hardware Manufacturers Association in Schaumburg, Ill.

Index of Advertisers

Advo-System .51
American Hardware 60,61
American Stone .59
Arrow Fastener .68
Bemis Mfg. .90
Bruce Hardwood Floor .32
Cahners Exposition Group 66,67
Century Ind. .72
City of Hope .71
Cole Sewell .8
Credo Co. .62
Croft Metals .23
Design House .89
Dexter Lock .70
Diamond F .39
Domtar 48,49
Duracell .69
Dutch Boy .76
Dyna/Energx .18
Emco Specialties .42
Expo '88 .73
Fluidmaster .11
Forman .11
Franklin International .34
GE Lighting .45
General Marble .70
Gerard Metals .65
Glidden .70
GTE Sylvania 24,25
Handy Store Fixtures .12
Heath Zenith .78
W.W. Henry .70
Hunter Co. .72
Index Measuring Tape .69
Keller .80
Keystone Franklin .72
Keystone Steel .68
Klean Strip .12
Knauf 40,41
Lane .88
Leviton .55
Loctite .69
Louisiana-Pacific 46,47
Macco Adhesives .68
Magic American .72
Makita U.S.A. .17
Manville 43-45,53-54
Merillat .68
Myro .22
National 56,57
National Store .8
Newborn Brothers .11
Newmark Cabinets .12
Nissan Forklifts .38
North American Philips Lighting 36,37
Ohio Sealants .11
Panasonic .33
Price Pfister .11
Rainbird .12
Rmax Insulation .50
Sequentia .8
Spa Faucet .68
Stanley Door .35
Stanley Tools 27-30
Teco .8
Therma-Tru .63
United Steel .12
Warp Brothers .45
Waxman Industries .13
Weiser Lock .15
Weyerhaeuser Wood 2-4
Whittier Wood .69
Z-Brick .58

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Vol. 14, No. 12 June 13, 1988

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Index of Companies in This Issue

ABC Dealer Supply .20
Abitibi-Price 42,45
Ace Hardware 73,86
Ace-Net .86
Wholesalers .21
Aircap .87
Ajeyem Lumber .20
Allied Building Stores .21
Almet/Lawnlite .8
Amerhart Ltd. .20
American Cynamid Co. .12
American Hardware Supply .86
American Maize Products .7
Andersen Corp. 47,87
Anderson Lumber .5
Argos Holdings .87
Armstrong World Industries .66
Atrium Door .50
Babcock Lumber .21
B&B .86
Bradco Supply 5,87
Builder Marts .21
Builderama .5
Builders Emporium .5
Builders Square .6,73,85
Bunzl 20,21
Caradco 47,50
Celotex .38
Central Builders Supply 5,21
CertainTeed .11,32,87
Choctaw Partners .86
CoastAmerica .21
Coast to Coast .21
Congoleum .66
Cotter & Co. .86
Crane Co. .5
Croft Metals 47,50
Decra Mold .45
DG Mouldings .45
Diamond Lumber 1,73
FW Dodge .47,50,66
Domtar .34
Douglas Lumber .87
DuPont .52
Dutch Boy Paints 52,86
A.C. Dutton .21
Eagle .5
Eagle Electric .11
East Coast .87
Eclipse 1,86
Erb Lumber .86
Ernst 6,86
E-Z Paintr .62
Fads 5,87
Fagen's .72
Formica .12
Formica International .12
Franklin International .62
Furman Lumber .34
General Building Supply .85
The Genie Co. .69
Georgia Pacific .21,31,34
Goldman, Sachs & Co. .5
Mr. Goodbuys .5,26,74
Gossen Corp. .45
Greenfield's Warehouse .6
Grossman's .1,6,73,86,87
Hancock 1,73
Hardware Wholesalers Inc. .86
Hechinger 5,26
HomeClub .5,72,79
Home Depot 5,26
Huttig Sash and Door Co. .5,20,86
Imperial Wallcoverings .70
Independent Builders Supply .21
Insilco .79
Jeld-Wen .47
Keller Ind. .8
Keystone Franklin .88
K mart 6,85
Knauf Fiber Glas .11
Knox .86
Kwal .87
LA-CO .70
Lamb Investments .86
Lampert .86
Levolor .7
Palmer G. Lewis .5,79,886
Lloyd 7,86
Louisiana-Pacific .34
Lowe's 85,86
LSI Systems 47,66
Lucite .58
Macco 52,62
Macklanburg-Duncan .52
Madison Equipment .6
Mannington .66
Manville .32
Marvin Windows .46
McGraw Hill .66
Moore's .73
Moore-Handley .79
Moser Lumber .87
Murray Corp. .71
Don Navarro & Assoc. 1,86
Newell .79
North Pacific Lumber .21
Novelty Manufacturing .69
Olympic HomeCare .58
Ordernet Services .5
Owens-Corning
  Fiberglas .1,11,32,38,79,86,87
Padco .62,69
Panel Clip .71
Payless Cashways 1,20,79,86
Payless DIY 5,87
Pay Less Drug .85
Pay 'N Pak 5,86
Pease Industries 47,50
Pergament Home Centers 5,26
Philadelphia Reserve .21
Piper, Jaffray & Hopwood .86
Plumbline .6
PPG Industries .58
Preway .71
Price Pfister .11
Rickel 5,11
Rust-Oleum .58
G.E. Silicon .62
Simplicity .14
Slaughter Brothers 20,21
Somerville 86,87
Standard Brands .87
Stanley Door Systems .47
A.G. Stanley Holdings .5
Stanley Works 6,87
Stanline .21
Stanton Bondo & Co. .6
Strober Organization .85
Sundance Lumber .50
Supermarkets General .5
Sutherland 79,86
Sutherland South .86
Sutro & Co. .86
Tarkett's .66
Textron .87
Therma-Tru Corp. 47,50
Thompson .58
Toro .87
Trus Joist .85
Universal Forest Products .21
USG 34,79
Valspar 52,58
Waldenbooks .85
Ward-White .5,86,87
Waxman Ind. .6
Weyerhaeuser .42
Wickes Lumber 73,86
Dean Witter .7
Wolohan Lumber .85
Wooster Brush .52
Wright Investors Services .7
Zayre .79

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Payless considers buyout to fend off raiders

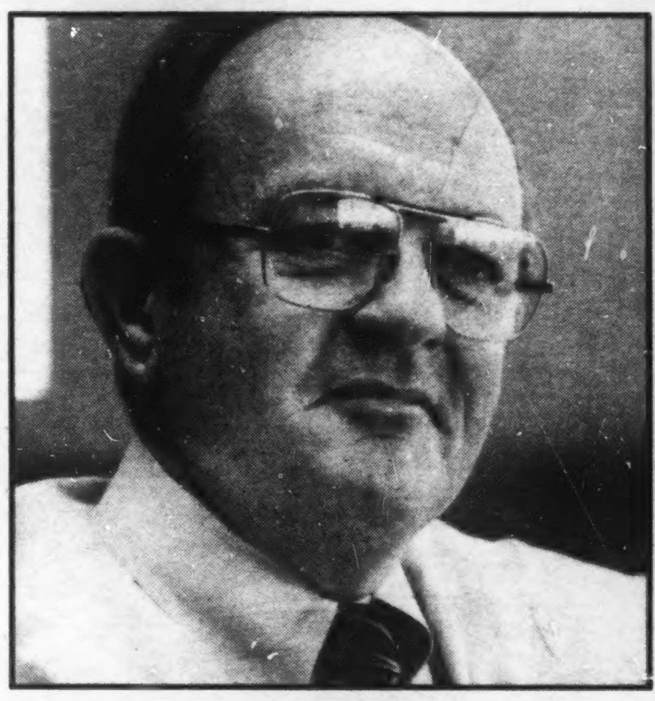
By an NHCN staff editor

KANSAS CITY, Mo. — Senior management of Payless Cashways confirmed they are mulling what could be the largest leveraged buyout of a publicly held retail chain in the home improvement industry's history.

Only days later, the investor group led by Asher Edelman sold 271,000 shares of Payless stock, reducing its stake in the home center chain to 9.1 percent from 9.9 percent. The stock was sold at $23.53 per share, bringing Edelman $6.4 million for what some analysts suspect is a war chest he is building to conduct a hostile takeover bid against Centel Corp.

At the same time, Edelman requested that Payless provide his investor group with confidential financial data that, in turn, would allow him to acquire the chain "on terms more advantageous to shareholders than management may be willing to offer."

The LBO of the the 200-unit Payless is being considered by Payless' management to keep the company out of the hands of corporate raiders who would seek to break it up.



The two combatants square off for battle. David Stanley is chairman of the 200-unit chain. NHCN photo

Asher Edelman leads the investment group seeking to take over Payless Cashways. Photo courtesy of Columbia Business School

(Several presidents of home center chains told *NHCN* they had been approached by Edelman personally or by members of his investment group about their interest in purchasing parts of Payless if he took it over. "It seems like he's called everyone in the industry," said one executive.)

If successful, Payless' management would look to take the company private at a cost "in the mid-$20s" per share, the company stated June 9. On June 10, Payless was the third most active stock on the New York Stock Exchange, with more than 2 million of its shares traded. Its stock price rose on news of the proposed buyout plan to 25⅝, up 1⅛, but dropped to $24.38 once the Edelman group sold part of its stake.

It is estimated that Payless eventually may need to raise in excess of $850 million to take the firm private.

"Payless . . . emphasized that there can be no assurance that any such proposal would be made or if any such proposal would be made, as to the form or value of the consideration," a company release stated. Payless officials were not available for comment.

(Continued on page 62)

Eclipse's management in doubt as result of Chapter 11 filing

Steve Feinstein, president of Eclipse Industries. NHCN photo

By Gary S. Ruderman

ST. LOUIS — Eclipse Industries, the embattled owner of five home centers in the St. Louis area, conceded it could not work out an agreement with vendors it owes more than $6 million and sought protection from creditors in Federal Bankruptcy Court.

The Chapter 11 petition with St. Louis federal court June 10 was not unexpected by vendors who, for at least a year, had experienced major problems with Eclipse.

The filing capped what sources familiar with Eclipse and court documents characterize as a wild 15-day ride for the firm that included:

- A fight by Eclipse president Steve Feinstein to regain control of the company from Don Navarro, a Dallas businessman who holds 80 percent ownership, according to court records. This fight has left in question who is actually running the company, as factions for both sides jockey for negotiation position;
- A suit filed by Feinstein charging Navarro with stock fraud;

(Continued on page 58)

Sales of treated lumber kick into high gear

By Milford Prewitt

NATIONAL REPORT — After a cold spring when there was little product movement, treated lumber sales are as hot as the weather, retailers report.

From Massachusetts to Texas, home center lumber buyers said last year's impressive selling season might be eclipsed by this year's voracious demand for treated, which, some say, did not begin until a few weeks ago.

One contributing reason for the boom, dealers and manufacturers agree, is an industrywide effort to promote products to the "deck after market."

Ed Linehan Jr., lumber buyer for Somerville Lumber, the Somerville, Mass.-based subsidiary of Payless Cashways, estimated that his company's treated lumber sales are up 40 percent from last year and show no signs of slowing down.

(Continued on page 61)

Fred Meyer merges divisions to form single hardlines group

By Brad Altman

PORTLAND, Ore. — The Fred Meyer chain has consolidated its Home and Garden Centers and General Merchandise Division into a single Hardlines Division, eliminating seven district manager positions.

The decision to make the changes occurred before the arrival in April of former K mart executive Frederick M. Stevens, who assumed the ceo and chairman posts of Fred Meyer when its long time chair-

(Continued on page 62)

Coast lands TG & Y franchise account

By Edward McKinley

DENVER — CoastAmerica, the the franchised hardlines wholesaler based here, has landed one of the biggest franchise accounts imaginable: the giant 1,300-unit McCrory Stores.

The companies have picked McCrory's TG&Y stores in five small markets to test hardware departments big enough to rival the size of many hardware stores.

CoastAmerica and McCrory executives agreed that beefing up hardgoods lines will enhance the attraction of TG&Y stores.

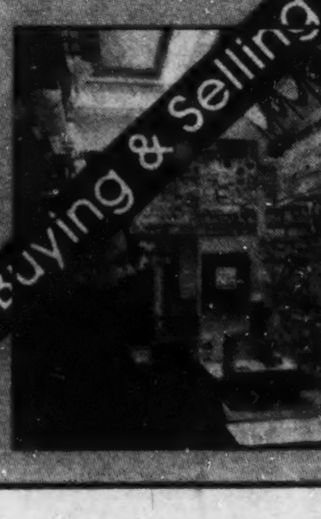
"This is a tremendous opportunity for our companies to cooperate and create a truly dynamic shopping environment for the entire family," said Richard Bard, CoastAmerica's chairman and ceo.

(Continued on page 61)

INSIDE

Perspectives
A GROWING N... GET SERIOUS
AS PROJECT... PROPORTIONS

DIYers take on more serious projects 16
New service seeks to sort out retail computer offerings 23



Bath explosion spills over into accessories 31
Dealers urged to examine timber harvesting proposals 40

NEWSBREAKS

WORKERS STRIKE NORTHWEST MILLS: As expected, the expiration of labor contracts led to strikes at some 20 Northwestern mills during early June. Hardest hit was Willamette Industries, whose workers left 10 mills. Champion International saw workers leave six unionized mills. The strikes had an immediate effect on the price [illegible] and structural panel products. Strikes [illegible] also expected at Weyerhaeuser and Boise Cascade mills, where labor and management have been negotiating.

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